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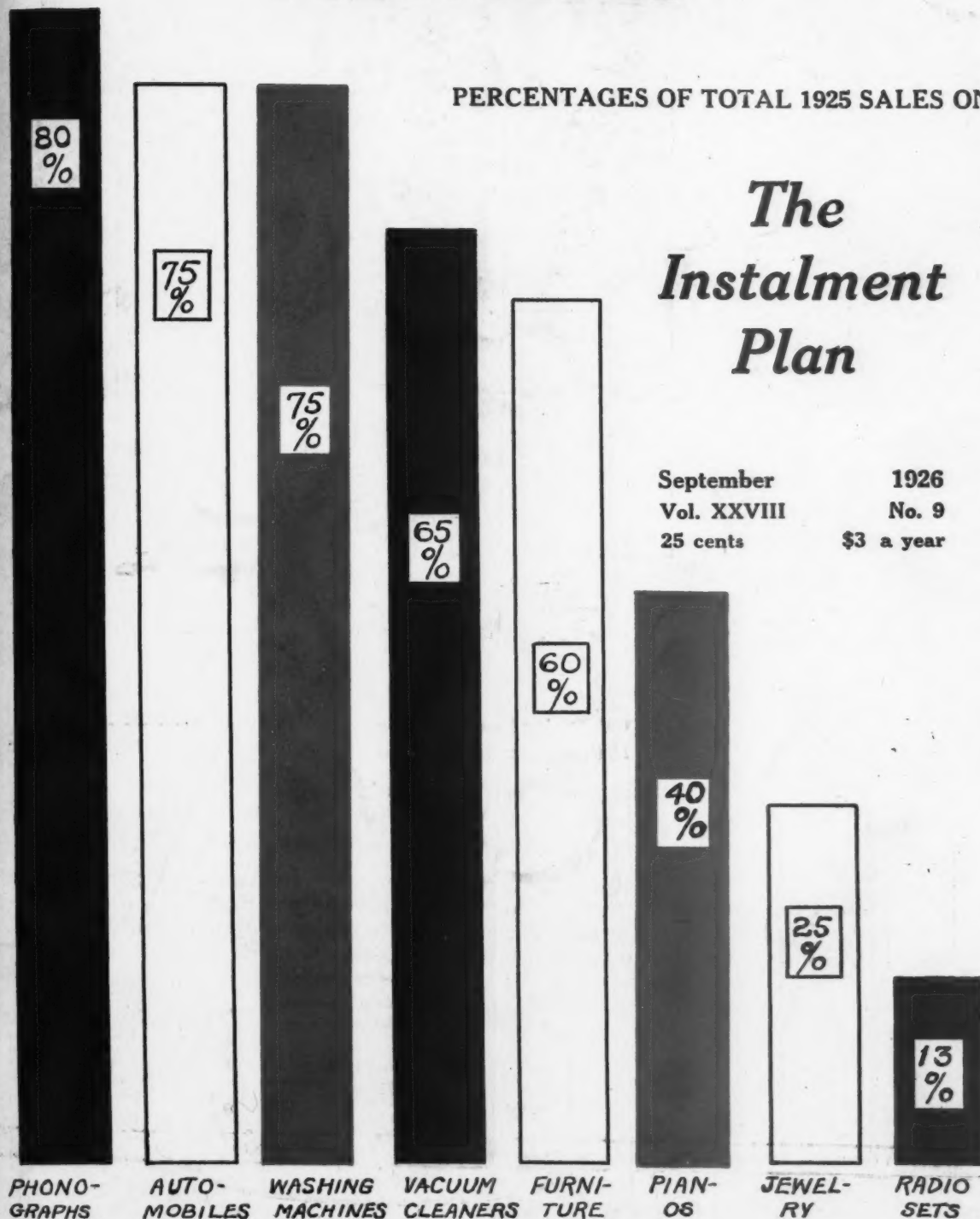
## MONTHLY

PERCENTAGES OF TOTAL 1925 SALES ON

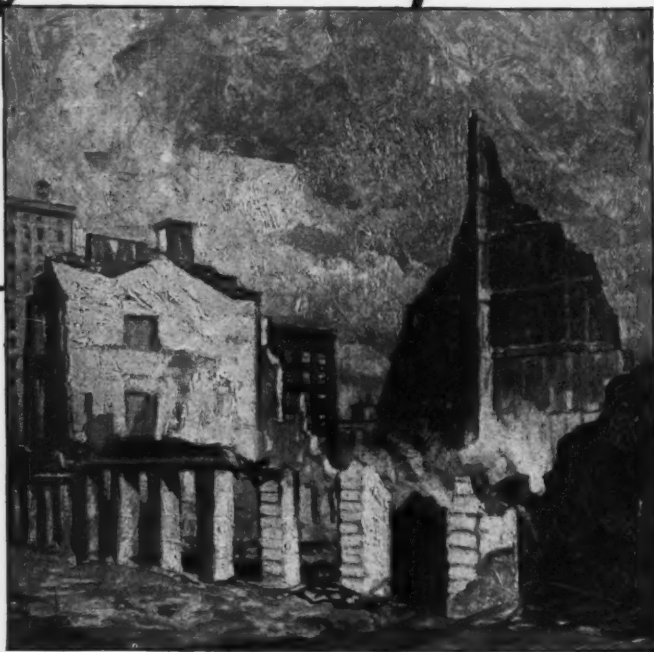
### *The Instalment Plan*

September  
Vol. XXVIII  
25 cents

1926  
No. 9  
\$3 a year



*There should  
have been*



## USE and OCCUPANCY INSURANCE

**E**VEN if the owner does say "Rebuild at once!" there is a serious loss in "profit-making" time.

Expenses go on piling up, overhead cuts down the reserve capital. Profits have stopped. The losses after the fire may cripple a good business enterprise.

Credit Executives can guard their interests by suggesting Use and Occupancy Insurance.

However, Use and Occupancy Insurance protects against the loss of, not only the necessary expenses that must go on, but the ordinary profit that would have been made. The business is safe!

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## HARTFORD FIRE INSURANCE CO.

HARTFORD, CONN.

*The Hartford Fire Insurance Company and the Hartford Accident and Indemnity Company write practically every form of insurance except life.*

## Fire Prevention Week to be Observed October 3-9

By Frank A. Fall, Litt. D.

Chairman, Committee on Fire Casualty Statistics, National Fire Waste Council

**F**IRE Prevention Week, October 3 to 9, again offers members of local credit associations an opportunity of impressing upon their communities the importance of forestalling one of America's greatest sources of economic waste:

One simple means of helping this excellent cause is through the use of the two colored sticker, reproduced here in one color, on all correspondence, parcels, etc. These may be had in rolls of 1,000 at the cost price of 20 cents per roll, from the National Board of Fire Underwriters, 85 John Street, New York City. This organization is also making preparations for the distribution of an effective poster.

A variety of attractive material has been prepared by the National Fire Protection Association for the use of local committees. A striking 12 x 16 inch, two-colored poster represents a fireman rescuing a woman from a burning building. This design is also reproduced in a two-color, postage stamp size sticker. "The Story of Fire Prevention Week" is a four page leaflet with a dramatic cover intended for mailing to those ignorant of the reasons underlying this movement. The "Handbook" and "Supplement" offer a complete guide to the committee planning an observance of this week. Feature articles by leading writers, slogans, sug-

gestions for speeches, newspaper articles and radio broadcasts are among the material offered. All of this material may be obtained from the National Fire Protection Association, 40 Central Street, Boston, Massachusetts.

Members of local Associations of Credit Men will find this material of much value in making Fire Prevention Week an event of outstanding importance in their communities.

Credit Executives will be interested in the actual results of fire prevention work in certain cities.

In Indianapolis, Indiana, the per capita loss in 1922 was \$9.67. In 1923 it was \$13.47. The Indianapolis Chamber of Commerce launched a fire prevention campaign in 1924 with the result that the per capita loss during that year was reduced to \$3.38.

Battle Creek, Michigan, had an average per capita loss of \$5.39 for the two years 1922 and 1923. In 1924 fire prevention activities reduced this figure to \$3.13, a saving of over \$90,000. During 1925 the per capita loss was lowered to 91 cents.

Duluth, Minnesota, with a population of 110,000 and an average weekly fire loss exceeding \$8,000 has so well directed its Fire Prevention Week activities that, for two consecutive years, there have been no fires during that week.

Johnstown, Pennsylvania, had a weekly loss of \$2,685 during 1924. Promotion of publicity and rigid inspections by the fire department during Fire Prevention Week resulted in holding the loss for that period down to \$50.

Cedar Rapids, Iowa, a city of over 50,000 inhabitants, went through Fire Prevention Week of 1925 without sustaining a fire loss.

There is no reason why such records as these cannot be established for every community. Part of the success of such a movement depends upon the dramatizing of the idea of fire in a sufficiently forceful manner to arouse public consciousness and whole-hearted support. With the co-operation between the National Fire Protection Association and the local committees, there is no reason why this cannot be accomplished.

For the convenience of our readers we outline herewith a general method of procedure.

A Fire Prevention Week Program

(a) Appoint an aggressive fire prevention committee, including representatives from as many different industries as possible.

(b) Adopt means of raising necessary funds for increasing the effectiveness of Fire Prevention Week exercises by the fire department and the schools.

(c) Enlist co-operation from individual members in the matter of window displays, fire prevention advertisements, the inauguration of self-inspection systems, meetings of employees, employment of colored "stickers" for mail matter, etc. Slogans could be used for window displays or inserts by local merchants in their newspaper advertisements.



### Simplifying Your Banking Relations

How IRVING-COLUMBIA  
Provides Individual Attention for the  
Business of its Customers



DIRECTNESS, promptness, understanding—these are qualities of first importance in your banking relationships.

All transactions which you entrust to the Irving-Columbia are handled under the supervision of an officer in the Out-of-Town Office who is directly engaged in serving customers in your part of the country.

Whether you desire accommodation, trade information, the financing of imports or exports, assistance in the investment of funds—whatever your need—it is not necessary to deal with more than one person. This person will look after all your business with us and see that each transaction is carried promptly to a proper conclusion.

OUT-OF-TOWN OFFICE

IRVING BANK-COLUMBIA  
TRUST COMPANY

Woolworth Building, New York



## Mexican Trade Situation as Credit Managers See It

SHIPMENTS to their Mexican customers are being continued by 85 per cent. of a group of members of the National Association of Credit Men's Foreign Credit Interchange Bureau, according to a survey just made public. About 15 per cent. express a fear of a revolution and have in consequence temporarily abandoned the Mexican market.

Several of the members reporting either their own experience or that of their agents in Mexico say that the boycott has not been successful in the larger cities and that there are instances of union labor groups expanding their amusement expenditures to offset the effects of the boycott on entertainment. One member reports that he has learned through an agent that in Torreon people are buying American dollars for deposit in this country and that business there has almost ceased.

A few are slowing up their trade with Mexico, but they expect that their loss of business will be only temporary; and some other members have stated that they are selling in Mexico only for cash in advance. Most of the members who answered the questionnaire expressed their confidence in the strength of the Mexican Government. Some of these American exporters report the rumor that for political reasons General Obregon has assured the Calles government of his support.

From the information obtained by the Association's Foreign Credit Interchange Bureau it appears that Mexico City is suffering far less than any city south of the Rio Grande. However, several of the concerns reporting say that the boycott may be used as an excuse for slow payments.

Other replies are as follows:

"We are not letting up in our efforts to secure business or are we stopping our shipments. We are in fact still receiving orders."

"The Mexican market is one of the very best foreign markets we have. We have no fear of any future trouble. The average Mexican business man is honest; there are comparatively few failures in Mexico."

One correspondent says that invariably when he has visited Mexico he found that conditions there were always better than the reports here showed them to be.

Another concern said that it had not stopped its advertising in Mexico in the face of the disturbances.

The reports brought out some human elements that also possess germs of mercantile information. For instance, one member, who is a frequent visitor to the Mexican Republic, said that he believed that 90 per cent. of the men and 10 per cent. of the women there were behind the government. In Torreon one man learned that disturbances there were quelled by the fire department using streams from lines of hose.

When the edict was put on amusements, one member said, lipsticks, face powder, rouge and perfumes and cosmetics in general were classified as entertainment. Apparently, he said the Mexican women had not forgone these things to any appreciable extent. Furthermore, when women were asked to wear black until the churches were reopened, one American wholesale merchant stated that the price of black materials rose 50 per cent.; but that he was unable to sell much more than the ordinary amount of black silk stockings, colored ones being almost as much in demand as formerly.

# CREDIT MONTHLY

THE NATIONAL MAGAZINE OF BUSINESS FUNDAMENTALS

(Member, Audit Bureau of Circulations)

Editorial and Executive Offices, One Park Avenue, New York

Rodman Gilder, Editor

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# "No Smoking"

*Write it  
in letters of Red!*

For during the five year period from 1920 to 1924 fires attributed directly to matches and smoking were responsible for over one hundred and seventy million dollars of our huge national fire waste.

This year October 3rd to October 9th has been proclaimed "Fire Prevention Week." Fire prevention, as fostered by the large fire insurance company, is one of the greatest factors in preventing preventable fires.

The "America Fore" Group of Fire Insurance Companies makes every week a fire prevention week. A conscientious program of conservation, plus financial strength equal to the greatest emergency, recommends "America Fore" policies wherever sound insurance protection is required.

**AMERICAN EAGLE**  
**The CONTINENTAL**  
**FIRST AMERICAN**  
Incorporated 1925  
**FIDELITY - PHENIX**

**FIRE INSURANCE COMPANIES**  
**80 Maiden Lane, New York, N. Y.**

**ERNEST STURM, Chairman of the Board**

**PAUL L. HAID, President**

**THE "AMERICA FORE" GROUP OF FIRE INSURANCE COMPANIES**



## Consumer's Credit

"IT IS time to call a halt in the 'dollar-down' business," said the conservative credit manager to his nephew, who had dropped in after supper to consult him on the budget of his own small family. "Sometimes I think it would be a good thing if the consumer were on a strictly cash basis."

"Strictly cash?" The younger man looked thoughtful. "Well," he said, "I'm a consumer all right and I don't think I should like to give up the instalment plan. We'd still be living in that little flat where Molly and I set up housekeeping. There'd be no car in the garage—nor any garage. We wouldn't own that stock in the company they let me buy on monthly payments. I'd be carrying less life insurance. We certainly would have wasted more in riotous living in the past few years, because there would have been fewer prior claims against my salary each month."

"The company you are treasurer of and the company I am with can safely and profitably sell and buy on credit terms. Then why can't I, as a consumer, utilize my credit to get what I need a few years earlier than if I had to pay cash?"

"And, by the way, it dawned on me the other day that my company, paying me on the last day of the month, borrows money from me progressively through each month. Five per cent. interest on that money, I figure, would come in very nicely when I'm making my regular payments on my home."

"Have it your own way," said his uncle, smiling. "When I spoke of consumers paying cash, I wasn't thinking of those rare birds like yourself who have a budget and keep it balanced. I was thinking of the consumer who never knows where he stands and who will buy almost anything offered if he can have it on instalment terms. That fellow *ought* to be on a cash basis."

*Rodman Gilder*

Editor



## This merchant asks you for credit— should you grant it?

**O**N what do you now base your grant of credit to new applicants? The old system of writing to the applicant's references; of reports based on information given by one or two individuals? Such information may be biased and misleading. A financial statement may indicate strength, but unless your applicant's method of payment in the past shows such strength put to actual use, of what avail is it? Such recommendations originating from one or two sources are not true facts concerning the firm's past business practices.

What you need to properly diagnose the case is a complete survey of all **FACTS**, particularly the record of payment in the past, not with one or two firms, but many, in all lines of business.

Credit Interchange Bureau reports are a comprehensive survey of a merchant's past credit record. The kind of merchandise bought, the number of years sold, the highest credit, amount owed and past due, and the methods of meeting his obligations for many years past.

With these complete **FACTS** concerning your new customer's past credit record at your disposal, you can make an intelligent decision. You can approve or decline the account and your decision has been reached only after you have had the complete record of your new buyer presented to you.

For, after all, facts are the only basis on which to do business.

### CENTRAL CREDIT INTERCHANGE BUREAU National Association of Credit Men

The central clearing office for the sixty-five local units affiliated in the National Clearance System

New York  
1 Park Ave.

Chicago  
38 S. Dearborn

St. Louis.  
510 Locust St.

San Francisco  
601 Wells Fargo Bldg.

Or phone or write your nearest local Association for full particulars,

# CREDIT

## MONTHLY

Vol. XXVIII

SEPTEMBER - 1926

No. 9

## A Credit Problem Surveyed

Instalment Selling and its Future of Vital Interest to  
Manufacturer, Banker, Distributor, Advertiser  
and Consumer

By Marshall D. Bewick

Public Relations Manager, National Association of Credit Men

See also p. 12 and 20

**I**NSTALMENT merchandising will no doubt continue to be an economic problem for several years to judge even superficially from newspaper and magazine comment that continues to stimulate the public's speculation on the inherent dangers in the plan or the new blessings it carries to the producer and the consumer.

Nearly two years ago J. H. Tregoe, Executive Manager of the National Association of Credit Men, precipitated the controversy that has endured until now by publicly calling attention to dangers that reside in any wide expansion of instalment credits. Responsive to this some of the departments of the National Headquarters have systematically observed the trend of instalment selling.

A few months ago the Public Relations Department issued a compilation of opinions and facts on instalment selling that met with so much interest that the department produced a second compilation. Since that time new factors have arisen to baffle the banker, the buyer and the sales booster. Many of them are so significant that the editor of CREDIT MONTHLY felt impelled to present them to his readers. The Association has kept its finger on the pulse of the instalment selling problem through the Department of Education and Research, the Public Relations Department and through the CREDIT MONTHLY.

It is hoped that what we present here will encourage readers to express their opinions and offer their criticism. This has been done to some extent through a questionnaire recently sent to some of the Association's members, but more opinions on the instalment method will be welcomed.

The general opinion seems to be that instalment merchandising should be watched with great care to make the risks of a higher type and prevent as far as possible an overexpansion in the case of each individual purchaser. There are some few persons who see no danger in the plan and consider it a great and healthy stimulus to production. These people are those who are interested in instalments as a means of boosting the pro-

The most authentic statistics available from various sources indicate that the percentages of merchandise sold on the instalment plan are as follows:

- 80% of all Phonographs sold
- 75% of all Automobiles sold
- 75% of all Washing Machines sold
- 65% of all Vacuum Cleaners sold
- 40% of all Furniture sold
- 25% of all Jewelry sold
- 13% of all Radios sold

duction of their factories, and who believe they have discovered a new method for expanding production.

In writing in the Nation's Business some months ago, J. H. Tregoe stated that one of the healthiest signs in merchandising was the increased acceptance of the idea that buying based on future earnings of individuals had gone too far. He then went on to point out distress that had occurred in some instances from jazzing up buying by individuals pyramiding their instalment credits. Discussing advertising as a method of expanding instalment purchases, he said:

"Another thing, which the high-grade advertising agencies through their organizations should try to combat, is the activity of certain advertising agencies in inducing manufacturers to enter into instalment selling campaigns, when in the long run this method of merchandising will not be beneficial to the particular business or to the public at large.

"Some of these advertising executives show manufacturers how they can increase the output or production of a factory by the 'simple' scheme of selling on a deferred-payment plan to be put over by a nation-wide publicity campaign. The scheme is alluring, and examples of how

other manufacturers have accomplished similar success which the advertising expert promises induce the advertiser to agree perhaps to a million dollar advertising budget.

"The agency takes its 15 per cent. of the cost of the advertising business thus placed and the manufacturer temporarily finds himself operating at an increased rate of production. But the difficulties arise where the goods are not the kind that should be sold on deferred payment plans. Difficulties in collections occur, and defaults in payments result in the piling up of stocks."

*The Buyer's Passion for Volume and the Seller's Passion for Indulgence*

Recognizing instalment selling not only as an economic problem, but also a sociological problem, George W. Norris, Governor of the Federal Reserve Bank of Philadelphia, has discussed profusely in addresses, the social dangers that must necessarily reside in instalment sales since periods of depression are bound to occur to some degree regardless of the opiates of optimism we occasionally feed ourselves. Mr. Norris considers instalment merchandising as an inevitable thing in our economic life. "It is born," he says, "of the seller's passion for volume and the buyer's passion for indulgence." As it is comparatively new he suggests that we neither acclaim it or denounce it as an unmixed evil, but study it. The final test he says will come several years from now when this popular selling method passes through stormy seas.

In pointing out the false economic factors in consumer's credit which have a decidedly bad social effect, an unnamed banker has summed the situation up somewhat like this, according to Arthur Pound, writing in the Atlantic Monthly:

"A general situation like that is merely the net of a huge number of personal deals. If all of those deals are sound, there can be no possible danger financially, though there may still be some encouragement to extravagance. But, considering the mutations of employment

and the chances of illness, it is not sound personal finance for a wage-earner to tie up more than 25 per cent. of his disposable annual balance in long-term debt contracts. His disposable annual balance is not at all the same thing as his income. If a family man earns \$200 a month and his fixed necessary expenses are budgeted at \$150, his disposable balance is \$50, and he can pay \$12.50 a month on instalment purchase without danger of getting caught and also save steadily."

In May, 1926, the American Bankers Association refused to give its stamp of approval to a report, quite favorable to instalment selling, that was prepared after considerable research, by that association's Economic Policy Commission. This report can be summarized somewhat as follows:

### Over Two Billions Outstanding

Instalment selling is generally safe as at present conducted. There are at one time only \$2,750,000,000 outstanding as the national instalment debt, while the annual turnover in instalment financing is about \$6,500,000,000. The report then points out that 54 per cent. of this debt is in automobiles.

As to finance companies and their operations, the commission reports that there are about 1,000 companies in existence at any one time and that there is almost a constant birth and mortality. One-third of all instalment business is handled through finance companies. The remainder is carried directly by banks and by dealers and manufacturers. On all of this paper there is a carrying charge that varies from 15 to 40 per cent. With this condition existing, the losses of the banks are almost negligible.

While recognizing that there might be some danger in instalment financing in the face of national depression, the report reminds us that instalment losses in the

depressed periods of 1914 and 1921 were not startling.

Explaining that there is 42 per cent. of all instalment loans outstanding at any time, the report says that if all buying on the instalment plan stopped and the public continued to meet its payments, within three months there would be 25 per cent. outstanding, in six months 14 per cent., and within a year only two per cent.

Opinions of bankers are always interesting, and we get more of them today than ever before because of the public relations departments now increasingly numerous in the banking field. W. R. Morehouse, the vice-president of the Security Trust and Savings Bank of Los Angeles, thinks that instalment purchases create a debt burden on individuals that affect them unfavorably. Rather than forming an incentive to higher performance in their daily tasks, he thinks they create an unfavorable state of mind. As some other men have done, he also points out the need of a clearing house for consumers' credit information, which would largely prevent overbuying and reduce the debt burdens on many persons. He points out also that railroads for many years have always bought their equipment on the instalment plan and that sewing machines have been sold in this manner for about 65 years. However, he refuses to believe that really substantial people purchase much on the instalment basis.

Alex Dunbar, Vice President of the Bank of Pittsburgh, sees a moral side to instalment selling as well as a cheapening of credit. He says that the public is gathering an entirely wrong impression of credit and of the right to go into debt. The growth of such an idea will have an unhealthy reaction, he thinks, on business and society.

### Cause of Extravagance

Over buying and the mortgaging of individuals' incomes to an unprecedented height has brought us into an age of extravagance, says J. A. Graves, President of the Farmers and Merchants Bank of Los Angeles. He finds that the high prices that instalment selling necessitates are the most serious objection to the plan.

Recalling the over expansion of mer-

chandising pianos on the instalment plan, which resulted during a period of depression in the failure of numerous piano concerns, Henry A. Wheeler, of the Union Trust Co. of Chicago, says that instalment selling methods are not good for general business. He sees much good in this merchandising method, however, in benefits to many purchasers of really good and almost necessary articles. John T. Martin, President of the Exchange Trust Co. of Boston, has a similar opinion of instalment buying of some kinds of goods, when he says that the buyer puts his head into a noose when he mortgages his income for luxuries.

Danger for the retail store that endorses instalment leases for finance companies is pointed to as a grave risk by Jacob Netter, President of the National Bank of Commerce of Philadelphia. He believes that such concerns are courting a catastrophe that would follow a period of trade depression. George E. Roberts of the National City Bank of New York maintains that one instalment purchase leans on another for support and through this business is being falsely stimulated. The correction for the situation resides in banking circles and he is one of a few bankers who expresses such an opinion.

### Retail Sales Not Depressed

A large investment house in New York says that in spite of the fact that there is five billion dollars in instalment sales there is no sign of inflation or is there depression of ordinary retail sales. This concern points out that while instalments have increased, chain stores' sales, new life insurance, savings and investments and securities have increased.

The New Republic considerably more than a year ago pointed out editorially that through instalment purchasers future buying would be curtailed, saying,

"Eventually business must face the necessity of increasing general purchasing power as fast as it increases its production. It cannot depend on temporary expedients such as advertisements, salesmanship and the expansion of credit. It must eventually raise wages, lower prices, or both. Some time, if we are to fight the boom and depression cycle, there must be a working adjustment toward new investment and new popular income, between profits and wages. There must be an adequate and progressive distribution of the benefits of civilization."

### The Poor Instalment Debtor

Up to recently in Rhode Island an instalment debtor could be jailed without knowledge of the court. While this has no direct bearing on a solution for the instalment problem, it is nevertheless interesting to consider it and point out that a short time ago a Poor Debtor's Bill was enacted in Rhode Island which provides that before an instalment debtor may be jailed a writ from a court must be procured and the debtor must have a hearing before he can be held in prison.

A business magazine writer, Kenneth M. Goode, in an issue of Advertising and Selling, took the business boat-rockers to task for what he believed was a pessimistic attitude toward instalment selling. He maintained that anyone has a right to buy what he wants, when he wants and pay for it as he desires. In this article, generally favorable to instalment selling, he says,

"So long as you and I plan expenditures within ordinary resources and keep spare cash to meet emergencies, it is no one's business what we buy—or how."

### Auto Instalment Sales Safe

A. R. Erskine, President of the Stude-



baker Corporation, early in 1925 said he believed that there is no danger whatsoever in instalment selling in connection with the automobile business. He said that the financing is properly guarded and points to the efforts of the National Association of Finance Companies to reduce the instalment period to 12 months, to require a 1/3 down-payment and 40 per cent. down-payment for used cars. He points out that the whole business structure and the standard of living are supported principally by consumers' credit and that the wheels of industry cannot be kept turning on a great scale without a mass consumption made possible by instalment merchandising. In fact, he doesn't draw any marked distinction between consumers' and producers' credit when he says that "credit must be available to consumers as well as to producers. Mass consumption is necessary to support mass production and high wages, and mass credit is the Atlas which holds up all of them."

Assuming that the instalment selling of merchandising were to stop, Mr. Erskine said early this year that it would cause a great blow to the prosperity of the country through unemployment and the purchase of raw material.

A. E. Duncan, President of the Commercial Credit Co. of Baltimore, speaks in a similar manner of the instalment purchasing of automobiles, which he considers a thoroughly sound business. Mr. Duncan quotes some statistics, which he does not interpret, to show the effect of hypothetical cessation of production in the automobile business upon other kinds of business. For instance, he says that more than two and a half million workmen directly and indirectly employed in the automobile industry would be affected by any great depression in that field. And, that in the automobile industry alone, more than 487 million dollars in wages would be lost in a year if the industry were stopped. These facts, of course, are well appreciated, but they apparently do not have a great deal to do with the solution of the problem in the existence of which Mr. Duncan does not believe. He goes so far as to recommend a further extension of credit whereby Federal Reserve Banks will be permitted to re-discount loans of finance companies, which procedure, he says, would greatly cheapen the rates charged to consumers and generally lessen the burden of commerce and consumer.

### If Prosperity Declines

In one of its monthly surveys a reputable brokerage concern in New York says that in no other time in history has the ultimate consumer pledged so large a part of his income or pledged it so far ahead for current purchases. The shakiness in this situation is indicated as follows:

"The consumer is carrying the inventories and borrowing heavily to do so. In a sense, the inventory problem has been shifted from the corporation to the customer. In the event of any decline in prosperity, the recovery will probably not be so rapid as much of the future earning power has already been pledged and it will be necessary to wait until new earning power can be engendered."

Another conservative investment concern in New York on the other hand sees no danger in instalment sales. This firm insists that the extension of credit to the individual with proper safe-guarding is just as sound as extension of credit to a corporation. Of course, this completely disregards any distinction between an in-

dividual's credit as it is interpreted today and the credit of a producing organization. This concern, however, while it recognizes an improvement in the standard of living through instalment purchasing admits that danger lies in an improper use of the credit facilities which in time of panic would result in difficulties to buyer and seller.

Many clothing concerns have come out flat-footed against any deferred-payment plan of selling clothes,—even the rather popular ten-payment plan conducted on a weekly basis. Hart Schaffner and Marx approach the problem with no definite opinion but believe that the question of instalment selling in the clothing business depends almost entirely upon the proper management of the accounts and the selling of the goods. This concern takes the broad viewpoint that with many retailers deferred-payment plans or something similar have been notably successful and profitable and also informs its customers that as many dealers have found the instalment selling method almost fatal.

Perhaps the largest cash dry goods store in the world has come out flat-footed against instalment selling and, with considerable humor, has ridden the band wagon with advertisements pointing out the safety in the cash plan.

### Foolish Consumer and Overzealous Merchant

The Mechanics and Metals National Bank of New York in one of its surveys launched a vigorous attack against the high-pressure selling and advertising methods which so often accompanied instalment merchandising campaigns. This bank makes no flat-footed statement against instalment selling but attacks the foolish consumer and the over-zealous merchant for their mutual folly.

From influential men in organized labor there are similar expressions on instalments from the viewpoint of salesmanship and advertising. The President of the International Typographical Union maintains that good wages and healthy working conditions cannot persist if laboring men continue to sink into debt through easy credits. He recognizes the great value of credit and therefore stands in defense of it against abuses which are created by selling and advertising organizations and big banks and finance companies.

The automobile trade magazines have naturally been rating ardent defenders of instalment selling while keeping their columns open to discussion of the subject. But virtually all these publications insist upon the necessity of conservative



financing and sound principles in the operation of instalment methods and contracts.

Henry Ford, however, in June, 1926, came out positively against the instalment plan. He believes that the cash basis is the only sound policy for good business, and is against encouraging the consumer to purchase his automobiles on the instalment plan. A short time ago he stated:

"The thing that is troubling this country most just now is the amount of debt piled up by the credit system and the instalment plan of buying. The American people no longer buy. They are backed into a corner and are 'sold.'"

Francis H. Sisson, Vice President of the Guaranty Trust Company of New York, in the latter part of 1925 expressed opposition to instalment buying which he believes induces the consumer to buy more than he needs. Over-production, he says, is a notable result which is the forerunner of a period of depression. He holds the banker largely responsible for the growth of the instalment system. While he deplores instalment selling, he points out, that banks cannot turn down profitable business from customers of unquestionable resources and security.

### President Coolidge's Opinion

A remark by President Coolidge in January, 1926, in which he spoke quite favorably of instalment selling, gave the plan tremendous impetus through the influence on the public of a presidential pronouncement. The Journal of Commerce (New York) in commenting on the President's remark editorially expresses its surprise that such a statement should come from the head of an administration dedicated to a program of thrift. But

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# Credit Manager Plus

## Advertising, Promotion, Credit, Handled by One Officer

By William H. Siebert

Secretary, Hammacher & Schlemmer & Co., New York

**T**HE CREDIT MONTHLY has asked me to describe how I combine the duties of sales manager, advertising manager, and credit manager.

A few years ago I was working in the price department of our organization. Perhaps because of a latent energy, I was a hog for work. The secretary of our company, at that time, happened to be swamped with work. He needed someone to straighten out a rather difficult adjustment job. I undertook the task, and in time was successful. Certain collections were then turned over to me, and gradually I worked into handling collections.

During this period, I was greatly interested in sales promotion work and read as much as I could on the subject in general and particularly with reference to direct mail. In this connection, I read with care every letter sent out by our Advertising Manager.

One day I approached him and said I thought I could write sales promotion letters. He told me to try my hand at it. After thinking about the matter for some time I chose steel music wire as the product in our line that I would promote.

We had always sold this commodity in quantities to piano manufacturers, and in small amounts to all sorts of users. It was this latter field I decided to build up. I worked out some letters on the subject of music wire for mechanical purposes and, in one year, sold 33 tons entirely by mail. Rather proud of my achievement, I mentioned it to our then President, William Schlemmer—the founder of our business.

"Fine," he replied, "next year sell twice that quantity."

In this way, I grew into sales promotion work. In the meanwhile my credit activities were expanding, until I was given full control of all credits.

It is a false notion which leaves the Credit and Collection Department out when enumerating the constructive forces of a business. These departments are not operating simply as conserving and corrective forces, but under proper direction they make for sound expansion.

Let us see what justification there is in bringing sales promotion, advertising, and credits and collections under one head. The credit manager both consciously and unconsciously is all the while classifying his customers and he is eager to see the accounts of his good customers grow. His sales promotion efforts are directed toward them. He knows that his task is simplified as he multiplies the orders they give him, and so he talks to them through letters about the product which the house has to sell, and about the house itself. Then, too, the credit manager knows that his task will be simplified if he can bring the rather slow and unsatisfactory accounts up into a better class. He approaches them both as a sales promoter and a credit manager to urge and also encourage his customers so to conduct their

business that they will become more attractive accounts, thereby giving the sales department more opportunity for sales.

He does not have to alter his point of view as sales promoter and credit manager, for there is a singleness of purpose in these two departments of business which we have been misled sometimes into thinking of as separate and apart.

### A Knowledge of Customers

The credit manager is all the time trying to know his customers better. He wants to know them, first of all because the better he knows them, the better he can take their credit measure; but he also wants to know them from the sales promotion point of view, because the better he knows them individually and from the general point of view of business, the more likely he is to sell them understandingly and profitably for his house and for them.

The knowledge he gets in studying his customers from the credit viewpoint is therefore a great help in understanding them for the sales promotion side of his work.

One function of the credit department is that of a safety valve, or balance wheel, in relation to all business. But credit work has another important aspect, namely, increasing sales and turning poor accounts into good ones.

"When opening a new account, always get a financial statement," is, I suppose, the beginning of credit method. But in many cases—especially in our business—this is impossible. For instance, a large percentage of the garage and accessory trade does not keep any books of account or any records to speak of. The same holds true for many small hardware shops. It is therefore necessary to get information from other sources.

Our salesmen are particularly instructed to get any information which they think would prove useful to our credit department as a basis for extending credit. References, the name of the proprietor, or proprietors, and their antecedents, when the business is being run under a trade name, are indispensable.

### Hand Picked References

But references do not always satisfy. It is only natural for the applicant to give as references only names of such jobbers whose accounts he is taking care of in a satisfactory manner—or what he considers to be a satisfactory manner.

To offset this, we not only write the references given, but also the *entire* trade, assuming that we will be able to pick up some pertinent information which the applicant has not felt free to give. We usually make use of a letter somewhat like this:

"While we have not been referred to you, it occurs to us that you might have had some business dealings with A. D. Ealer, Main Street, Troy, who

has approached us for a line of credit."

"If you have had any experience with this account, we shall appreciate it if you will kindly let us have the benefit of your experience. We shall be pleased to reciprocate any time you may care to call upon us."

This letter has been productive of a vast amount of good. It has many times shown us that the applicant was slow pay and was using two or three preferred accounts as references to obtain a greater line of credit. This letter has also shown many instances where a debtor was overbuying and spreading out too much.

In addition to writing the trade, we interchange ledger experiences through the Interchange Bureau of the New York Credit Men's Association. The confidential exchange of ledger experiences between members of the bureau makes it possible to secure the most reliable, accurate, dependable and up-to-date information obtainable on customers' habits of paying. The information secured in this manner is 100 per cent. facts and discloses the exact financial as well as moral risk involved. As a charter member of the New York Bureau, I may be somewhat biased, but I wish to take this opportunity of saying that I sometimes wonder how business ever got along without Interchange Bureaus. It certainly was more difficult.

The information thus furnished is invaluable in revising accounts. It helps eliminate the undesirable buyer. When a customer asks for an extension, it is valuable for the information and advice of those who know, discloses the amounts that are discounted or paid when due, and minimizes the bad debt waste so burdensome to honest business.

### Credit Index Card System

In our Credit Department, we have a system of visible index cards, (see illustration,)—one for each account. These cards contain, in addition to the name and address, the folio or index number of the ledger account, the terms and limit, if any, and provision is made for signalling these cards with various colored, transparent tabs, indicated by the cross-hatched square.

A *red signal* means the account is to be held strictly to the limit designated. In some cases where the account is not limited but becomes in arrears, the red signal is affixed as a warning to refer to the ledger and ascertain the condition of this particular account before approving additional orders.

A *green signal* is used for any special information which we have, bearing on the granting of credit or on the customer's standing in general and, in some cases, referring to special shipping, packing or invoicing instructions. We find these signals very helpful.

It really is astounding, with all of the

No. 29a Name		Business										Index	
Address													
Source													
Brad.	Brad. Apr.	Brad. Oct.	Brad. Apr.	Brad. Oct.	Brad. Apr.	Brad. Oct.	Brad. Apr.	Brad. Oct.	Brad. Apr.	Brad. Oct.	Brad. Apr.	Brad. Oct.	Terms
Dun	Dun Jan.	Dun Jul.	Dun Jan.	Dun Jul.	Dun Jan.	Dun Jul.	Dun Jan.	Dun Jul.	Dun Jan.	Dun Jul.	Dun Jan.	Dun Jul.	
Dun	Dun Mar.	Dun Sept.	Dun Mar.	Dun Sept.	Dun Mar.	Dun Sept.	Dun Mar.	Dun Sept.	Dun Mar.	Dun Sept.	Dun Mar.	Dun Sept.	Limit
													Salesman
Jan.													
Feb.													
Mar.													
Apr.													
May													
June													
Total 1st Half													
July													
Aug.													
Sept.													
Oct.													
Nov.													
Dec.													
Total 2nd Half													
Grand Total													
REMARKS													
SHIP COMPLETE * DO NOT BACK ORDER													
Address East St., No. West, City.													
List Accessories Corp., The.													
30-S 300													

### SALES RECORD CARD AND CREDIT INDEX CARD

**SALES RECORD CARD** (actual size 8 in. x 5 in.). Shows exact status of each account—ledger folio, source of the business, terms, credit limit, salesmen and rates are shown. Mercantile agency ratings are also posted on this card.

**CREDIT INDEX CARD** (actual size 5 in. x 2 in.) A complete credit record of every customer—a glance shows ledger number, discounts to which the customer is entitled, terms on which sold and limit of credit. A green tab on the left denotes special information regarding the account; a red tab signifies something wrong with credit or payments. When filed, only part of the tab is visible

available sources of information at their command, that some houses, instead of being guided by facts, actually (though probably unconsciously) encourage slow-paying customers, by the too promiscuous granting of credit. This may not hold true for industry in general, but in some fields it is the case.

Encouraging slow-paying customers only keeps them in a rut. They are prompted to run their own business along shiftless lines, and to make no effort to improve their ways or to get on a better paying basis, just because some jobbers continue shipping to them even though the accounts are perhaps 90 or 120 days or more in arrears.

Such jobbers seemingly have been in the habit of thinking that if Jones's salesman won't take the order, Smith's salesman who are anxious for business, will take it no matter what the reckoning may be.

The sales promotion thought of helping one's customers to put their affairs in better shape and have a real control of their business, means as much to the Credit and Collection Manager as to the Advertising and Sales Promotion Manager. The customer who rejects all suggestions as to methods of improving his business is rarely profitable in the long run.

#### We All Have Pets

Of course we all have certain pets with whose affairs we are, or think we are, very familiar and who are allowed to go on from year to year. But the credit manager and the salesman, by sincere co-operation, can stop a large percentage of the existing credit abuses.

When volume is secured at the expense of terms, the amount of receivables carried from month to month on which no interest is received, and the number of failures and liquidations which naturally arise within this slow-paying class of debtors, make up a cost that will eventually exceed the profits and eat into the surplus of any business, no matter how well entrenched. This inescapable fact must, in my opinion, be borne in mind by every credit manager.

#### Abuse of Discount Terms

Another abuse with which we have all had to deal at some time, is the arbitrary deduction made by customers at the time of remitting, and also the unfair deduction of a cash discount which has not been earned. I have seen many customers cured of this by the immediate return of the settlement and the refusal to make further shipments until these unfair deductions have been satisfactorily adjusted.

We have lost some customers by pursuing this method, but we feel that we are better off without customers of this character. We do it to correct an evil which has no place in our business and one should have the courage to insist upon a strict carrying out of the terms of a contract or an order. We feel it is better to lose a customer of this kind than to encourage him in his wrong-doing

Passing "diseased accounts" along to competitors is ethically unsound and when we allow these abuses of credit or close our eyes to these manifestly unfair deductions and chronic slow payments, we are just as guilty of wrongdoing, as is the customer whom we are encouraging.

Many of the reputable jobbers in the metropolitan New York district are working toward the elimination of these evils through a conscientious heart-to-heart exchange of ledger experiences. This co-operation cannot fail to bring about healthier conditions in the wholesale industry.

From all of the foregoing it will be evident that we are very conservative. Sometimes we are told that we lose business by our methods. However, we cannot see the sense of striving for certain business, knowing full well the probable consequences if we got it.

#### A Check Against Bad Risks

We have one check against bad risks which we apply before we even make a sale. None of our salesmen ever goes out to load up a customer. Those who specialize in the hardware and accessory trade, for instance, are particularly instructed to sell a new account only such items as will give proper turnover. We want our customers in the discount class as soon as possible.

Overselling is an evil which has far-reaching effects. It works in two ways. A man may become so involved with us that he is afraid to go elsewhere. By sending us dribs and drabs on account, he forces us to carry him. Or he may hold a grievance because he thinks we sold him too much, and may go elsewhere when he has to make new purchases. In either event, we are the losers. What our salesmen try to impress upon our customers is that we are jobbers. We carry

(Continued on page 28)

# The Instalment Plan

## A Study of its Uses and Abuses

By F. E. Wolfe (Univ. of Ill.) and H. F. Amende (Univ. of Neb.)

**I**N modern trade a wide range of commodities and services may be exchanged on the instalment plan. Although originally used principally in the exchange of a few of the more durable goods, such as furniture, pianos, and real estate, the plan now covers a great variety of articles. One national survey shows that 70 different commodities are bought in large quantities in this way. It is used in marketing the greater part of the automobiles, store fixtures, pianos, washing machines, etc., now going into the hands of the consumer.

In order to ascertain the approximate proportion of heads of families using instalment credit in a city of 60,000 five hundred and thirty-two families were canvassed, living in 41 residence square blocks and constituting a sample of the classes of the entire population. Of these families 93, or 17.5 per cent., made use of instalment credit for purchases of varying amounts, exclusive of real estate. Purchases ranged in amount from \$12 to \$1425, summarized as follows:

Instalment Expenditures	
Number of Families	Range in Amount of Expenditure
27	\$1.00 to \$49.00
15	50.00 to 99.00
19	100.00 to 199.00
7	200.00 to 299.00
14	300.00 to 499.00
11	500.00 and over

It was also found that 40 per cent. of the families canvassed in the poorer part of town and from all appearances living at a lower standard bought on the instalment basis, 25 per cent. of families in the middle class, and five per cent. of the well-to-do families.

The extent of the use of credit in this form, its utility as a sales device, and its growing economic importance make a brief consideration of it worth while. A system that transfers commodities for which the consumers cannot pay at the time of purchase becomes also a matter of social concern.

It is, therefore, the purpose of this article to indicate the character, and origin of the instalment credit plan, to describe how it functions, and to consider some consequence of its use.

Credit may be utilized for either productive or consumptive purposes. In manufacturing and in wholesale and retail distribution it facilitates the production and the marketing processes. The consumptive use of credit appears in a typical sale of goods at retail on account. Although some producers' goods, such as farm tools, equipment and machinery, are sold on credit to consumers, for the most part retail credit meets personal or family needs.

Typical retail credit transactions are effected either (1) by means of an open charge account, or (2) by the instalment plan of payment. Under the former ownership of goods is acquired on a promise to pay and in return for the right to collect an equivalent of their value when payment falls due. Book accounts may be bought by financing companies which in turn assume responsibility for collection. The "right to collect"

this takes on the nature of a transferable commodity which may be bought and sold. It ceases to exist only when the debt is paid.

Instalment credit is a form of long-time retail credit through which an obligation for goods purchased is liquidated by means of a series of deferred payments, in such amounts and at such intervals as may be specified in a legal agreement between buyer and seller at the time of sale. Title to the goods is either retained by the seller until the last instalment is received or, if it passes to the buyer it is immediately retransferred to the seller in the form of a lien. In either case, if default in payment occurs, possession of the goods sold reverts to the seller.

### When It Started

Records of the beginnings of instalment credit are meager, and its origin therefore still merits attention. A furniture firm of New York City with a continuous existence since 1807 claims to be a pioneer in conducting business on the instalment credit basis. It originated as a regular plan in 1865. Introduction of the plan thereafter into other branches of trade gradually gave it at least a generation ago an integral place in the system of exchange. It complements, but does not displace book-credit, and in recognition of changed economic conditions has developed to function as a credit device adapted to the necessarily impersonal relationships of modern trade.

The Internal Revenue Department of the Federal Government makes a sharp distinction in income tax rulings between instalment credit sales proper and deferred payment sales. Office Decision 715, Treasury Department, states that generally sales involving deferred payments where more than a 25 per cent. initial cash payment is made, are not instalment sales under the tax regulations, but where the security received for payment of the balance cannot be discounted or otherwise turned into cash without material loss, such sales may be treated as real instalment sales.

The two classes of sales are differentiated by the substantial amount of the initial payment and usually also by a relatively small number of payments deferred. The reason why a 25 per cent. or a greater initial payment excludes a sale from the instalment class within the meaning of the tax regulations is that the risk is much better secured with a large first payment and experience shows that the great proportion of such sales are completed according to terms. Evidence of these deferred obligations are readily marketable, and hence they are considered the equivalent of cash. There is little reason therefore, why holders of such obligations should be afforded the benefit of tax rulings concerning deferred profits on strict instalment sales.

### Why Sell on Instalments?

Business firms are drawn to the use of instalment credit for one or more of the following reasons:

(1) It offers adequate security. A firm that operates on the open account system

has the constant problem of defaulting debtors with consequent bad debt losses. Instalment sales are frequently made to persons of limited credit, who would not be considered acceptable risks on an open account system. Through the device of instalment payments, contractual rights of ownership and repossession the risk involved in these cases is considerably minimized, and the firm is given maximum protection.

(2) It widens the market area and enables a firm to extend its business. A certain proportion of people are able to enter the market and make their demand for desired goods effective, who could not otherwise do so, if they had first to accumulate the total purchase price. Instalment credit thus enlarges the area for trade.

(3) Competition operates with compelling force to extend the system. Each competing firm in a locality is pressed to operate on the same credit basis in order to draw and to retain the business which may be attracted by easy long-term credit. This credit arrangement is also often offered on a particular line of articles for the purpose of making them more attractive than other lines not offered under the arrangement.

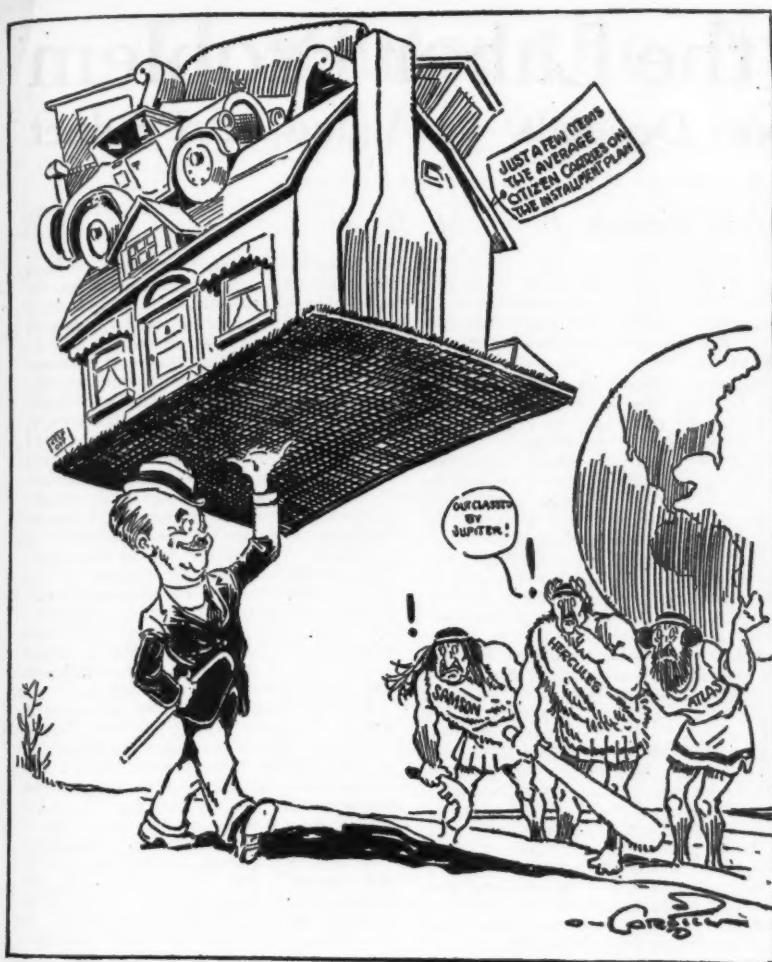
(4) It is an accommodation or a service in that it permits a consumer to have the use of an article while paying for it. Satisfaction is enjoyed which otherwise might not materialize, and the accommodation becomes an inducement to instalment purchasing. Furthermore, it enables some to maintain a higher standard of comforts and luxuries than current incomes would otherwise warrant, especially in a period of wage reductions. It is clear that there are millions of people who prefer to buy on the instalment plan.

Three legal instruments are available for providing the security which is required for instalment credit sales. These are (1) the conditional sale contract, (2) the lease, and (3) the chattel mortgage. Choice of the one to use is governed by the type of article handled, class of people served, and the local laws in force. The laws determine the contractual relations of seller and buyer, and are of concern to third parties, irrespective of any special provisions contained in an instalment contract.

### The Conditional Sales Contract

A conditional sale contract calls for the delivery of goods to the buyer with reservation of ownership by the seller pending the completion of specified payments on the instalment price. Any default gives a right to repossession as well as to retain payments already made on goods. "Inasmuch as a conditional sale is for the purpose of security," says A. W. Bays, "the retention of title being in the character of a lien, the right to repossession is an obvious remedy." If a buyer does not permit peaceful repossession, the seller may resort to legal action. There are two reasons why this form of contract superseded the chattel mortgage to a large extent and came into general use:

First, for many years chattel mortgages



Courtesy Central Press Association

have been subject to registration, filing or recording laws, and conditional sale contracts were not required to be registered to make them effective or to secure the protection afforded by a chattel mortgage. The courts of law have tended to interpret the contracts in accordance with the provisions contained therein.

Second, a speedy remedy is given for terminating and enforcing the contract. It may not be necessary to resort to legal procedure as the right to repossess property and to retain previous payments exists. Summary action of this sort is not secured under the chattel mortgage.

Difficulties arise in the case of third parties who may become interested in property bought on a conditional sale. Under the common law for this class of sales, purchasers from and creditors of a person who had bought goods on a conditional sale contract were not protected against the title of the seller. In other words, the business firm could hold in violation its title to goods even though third parties, who innocently bought these goods, were unaware of the retained title. Only six states now maintain the common law of conditional sale contracts. These—as enumerated in the Credit Man's Diary and Manual of Commercial Laws—are Arkansas, California, Indiana, Nevada, Tennessee and Utah. In many states if a firm desires to retain ownership of goods sold on instalment credit, it is now required to put its conditional contracts on record. If it fails to do so,

innocent creditors, and purchasers of goods from instalment buyers are protected.

Differences in the regulatory statutes of different states give rise to varying rights and remedies for the parties to a conditional sale. Firms transacting instalment business across state lines are put to special inconvenience and expense in conforming to the changing legal requirements. To remedy this situation, a Uniform Conditional Sales Act was formulated in 1918. It has since been adopted by a number of states.

### The Lease

The lease form of instalment contract combines the two elements of hire and of sale. It is essentially a conditional sale contract, but not in form. The buyer of an article agrees to hire it with the provision that after a certain number of rental payments he acquires ownership and is relieved of further payments. Since the total amount to be paid corresponds roughly to the purchase price, the real purpose is to sell the property. If a buyer defaults in the rental payments the firm is protected, and may repossess the property without legal action, and retain as a hiring charge what has already been paid. A lease may be used in a covert manner and can be made to serve as a cover for a contract of sale or for a loan on the security of chattels. As a bona-fide agreement to hire and purchase, it

need not be registered, and it is enforceable in accordance with its provisions.

### The Chattel Mortgage

A chattel mortgage as a means of security differs from the two preceding instalment contracts in that at the time of sale legal title passes to the purchaser but is immediately re-attached to the seller by means of a lien, upon the particular goods sold. Additional chattels of the buyer may by agreement be included. The lien is relinquished only upon payment of the purchase price, in such instalments as may be specified in the mortgage contract. Default in payments makes a foreclosure suit necessary. The inclusion of other property than the original article of sale under the lien is useful in dealing with poor credit risks.

This means of security has a preferred position because of long use and because of numerous statutes and court decisions involving its interpretation. In states that have rescinded a seller's privilege to repossess peaceably property sold under a conditional sale contract, a chattel mortgage is preferable. In case of default there is no such thing as repossession, but the property in question must be sold in foreclosure and the proceeds are distributed between buyer and seller in accordance with local statutes, unless the parties make a private settlement. Foreclosure proceedings entail an outlay of time and expense. Hence, either a conditional sale contract or a lease may be more speedily and effectively terminated than a lien. In case repossession is necessary under a conditional sale, the property and the previous payments are regarded as compensation for the balance due. Under a lien, however, a deficiency judgment may be secured against the debtor for the balance.

### Variation in Terms

Terms for deferred payments vary widely as between different articles, lines and establishments both as regards the initial and the periodic instalment. A definite percentage for the "payment down" may be advertised, but the practice is to obtain as large an initial payment as possible. An unknown or a poor credit risk is required to advance a substantial first payment. The initial percentage requirement ranges all the way up to 50 per cent. of the purchase price. Similar variance is found in the length of paying periods.

The right to retake property arises primarily out of the failure of purchasers to keep up instalments, but it may also arise from other minor conditions. Among these the following are specified in some contracts: (1) improper care of the goods bought, (2) intentional damage to them, (3) attempts to sell them illegally, and (4) failure to secure permission to remove the goods from a registration district. These conditions seldom form a basis for action.

Utilization of the right of repossession of property is a last resort in trade practice. It has been estimated that "about 4 per cent. of all furniture sold on the instalment plan is repossessed and resold." This figure is a higher estimate than is usually quoted. A large clothing organization, operating a chain of 42 stores, reports 170,000 sales on the instalment plan during one year, and that repossessions were "negligible." A leading furniture dealer in a city of 60,000, 95 per cent. of whose sales are on the in-

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# Wages and the Labor Problem

## Productivity of Labor Depends on Value of Product

The Ninth Article in CREDIT MONTHLY's Series on Economics

By Bernard Broudy B. S., M. B. A.

**W**AGES present to the economist a problem in value and in distribution. The value problem relates to the value of labor. The distribution problem relates to the share of the product which goes to labor. These problems are a special application of the general principles of value which were discussed in the two preceding articles. Supply and demand of labor are determining factors, and marginal units of utility and productivity, explained in the August CREDIT MONTHLY, are involved.

Money wages, or *nominal* wages, are to be distinguished from *real* wages. The nominal wages are simply the amount of payment expressed in terms of money. Real wages, from the viewpoint of the employer, involve both the nominal rate and the efficiency of the laborer, and are the *labor cost per unit of product*. From the laborer's point of view, real wages are the *amount of goods which the money wages will buy*. Regularity of work is an important consideration in figuring real wages. A laborer may receive a high weekly wage, but if his is a seasonal industry in which he finds employment only 35 or 40 weeks a year, his pay must be spread over the entire 52 weeks, and the average weekly wage is correspondingly lowered. Similarly, allowance must be made, in the case of dangerous or unhealthy trades, for periods of illness.

Wages and the value of labor are two distinct things. It is to the employer's interest to beat down wages, only if the labor to be got from each worker is a fixed amount; if an increase in wages will stimulate the worker to increased exertion and enable him to do better work, then it may pay the employer to raise wages, for by so doing he will be getting his labor as cheaply. Similarly, the worker can get the higher wages, which are his object, without increasing labor cost to his employer if he increases his efficiency.

### Wages and Trade Unionism

Labor, Clay writes, is not a commodity, but it is bought and sold like a commodity. The distinguishing characteristics are these, that the seller of labor cannot control the quality of the supply. The laborer sells labor, he does not sell himself; the quality of the labor depends greatly on his social environment and on his parents. Also the supply of labor is adjusted to the demand only very slowly. There may be a great demand for a certain kind of labor in one district, while in another district men with that kind of labor to sell are unemployed, yet unable to leave the district because they own their own homes or have children working.

Again, labor will not keep; it must be sold at once or it is lost forever. This characteristic of labor puts the seller of it in a weaker bargaining position than the buyer, and his position is usually the weaker without this aggravation. He has generally little or no reserve and therefore less power to wait. He has usually an inferior knowledge of the market, of the prospects of trade and the demand for

his own labor. He has only one unit of labor to sell, and is absolutely dependent on the sale of it; the employer may be purchasing hundreds of units, and can easily dispense with any individual unit without loss.

The *trade union* is an organization designed to put the seller of labor on an equality with the buyer as regards bargaining strength. The weakness of the seller's reserve is overcome to a certain extent by the union's fund to which he contributes while working. Collective bargaining overcomes the weakness of selling labor by units when it is bought by hundreds. And the union official usually supplies the third deficiency, that of lack of knowledge of the market and conditions of trade. Theoretically, the trade union seems to have solved all of the workingman's problems, but not actually. The difficulty in the United States has been that organized labor has too often been forced to fight for its existence. The result has been the development of pugnacious and belligerent rather than calm and deliberate leadership. In England, where organization has long since been generally accepted and the legal status of unions pretty definitely defined, the leaders have often been university men of great capacity and attainments. It is to be expected and hoped that as time goes on and the whole question of organized labor becomes more settled, a saner and more just leadership will develop.

### Subsistence Theory of Wages

Three theories have had wide circulation as explanations of wages. The earliest was the Subsistence Theory. Ricardo, in a famous passage, states it thus: "The natural price of labor is that price which is necessary to enable the laborers, one with another, to *subsist* and to perpetuate their race, without either increase or diminution." Any increase in their incomes was followed, it was thought, by an increase in the population, and the competition of the additional labor would bring the remuneration of the laborer down to subsistence level again; if, on the other hand, the laborer received less than subsistence, he would starve or his children would, and the consequent shortage of laborers would force the value of their labor up again to the subsistence point.

The history of the working classes in the Nineteenth Century has refuted the theory. That Ricardo was wrong is evidenced by the fact that wage earners have materially increased their incomes since his day. In Western countries population does not respond to increases in wages in the way this theory requires. If anything, the reverse is the case.

### Wages Fund Theory of Wages

The Subsistence Theory was succeeded by the so-called Wages Fund Theory. John Stuart Mill laid down this principle: "Wages depend mainly upon . . . the proportion between population and capital"

or "between the number of the laboring class and the aggregate of what may be called the wages-fund, which consists of that part of circulating capital which is expended in the direct hire of labor." As a consequence of this theory it followed that, so long as the proportion between population and capital remain unchanged, wages could rise in one industry only at the expense of another. The proof of this rested on three assumptions: first, that wages could be increased only at the expense of profits (so long as the above proportion remained unchanged); second, that any fall in profits, due to such a rise in wages, would drive capital out of an industry and so lessen the demand for the labor; third, that any rise in wage would attract new labor from other industries, which by its competition would force wages down again, or the rise in wages would lead to an increase in population, which would have the same effect.

None of these assumptions is borne out by the facts. The first confuses wages with labor cost. The second attributes to capital a sensitiveness which it does not in practice exhibit; capitalists expect some fluctuation in profits, and the causes of fluctuation are so numerous that concessions to employees have not the overwhelming importance attached to them in this theory. The third assumption attributes to working men an adaptability, a knowledge of the labor market, and a determination to find the most remunerative employment, which they do not exhibit.

### Productivity Theory of Wages

We have already mentioned the fact that high wages do not necessarily mean high labor cost. This is the basis of the Productivity Theory, which is that the worker gets paid according to how much he produces. Competition, it is claimed, secures for him just what he produces.

Actually, though, it is not so simple. There are three marginal factors to be introduced. The marginal laborer may be defined either as the *least willing* or the *least effective* of the laborers. He is the first man to quit when wages are reduced. The wage rate of the group will not be based upon the efficiency of the excellent, but upon the fair or mediocre. The least effective workers in any industry tend to set the wage which must necessarily be paid to the more effective ones. It should be noted that the point of marginality depends largely upon the scarcity or plenty of laborers.

Secondly there is the marginal employer. Employers who barely cover expenses are the employers who represent the wage rate which all employers must pay. More successful employers could afford to pay more, but they do not have to, since the marginal employer influences the wages of all employers. What he is able to pay is the high point in wage rates; beyond that point it is unnecessary for better employers to go.

These two marginal factors cannot be

(Continued on page 37)

# Consider the Approach

## When You Are Writing a Collection Letter

**T**HIS series of seven collection letters, signed by "H. D. Home, of the Home Grocery Company, Anytown, U. S. A.," is given in a booklet published by the Group Insurance Division of the Metropolitan Life Insurance Company.

The booklet, entitled "Consider the Approach," is addressed primarily to Credit Managers, and was sent to the CREDIT MONTHLY by R. W. Sparks, deputy manager of the Bureau. The foreword is as follows:

"A city man walked into a field and patted a gentle looking mule. . . . When he regained consciousness, the farmer explained that his approach was wrong.

"Your problem is to find the proper approach to your debtors.

"Avoid too much soft soap. If a man stole your watch you would not chase after him to express surprise and disappointment. Nor would you apologize for reminding him that your watch is in his pocket.

"And do not rely entirely on the persuasive threat of lead pipe. Sometimes a credit manager, overanxious to collect, permits his peeved feelings to percolate to his letters, with disastrous results.

"Did you ever lend a friend money, only to have him avoid you when he failed to pay as promised? What prompted his action? *Embarrassment!* That is the barrier; put your debtor at ease.

"If you can visualize him from past interviews, correspondence, or salesmen's reports, your task is simplified. If you have not a mental picture, your duns are hurled into the dark and may provoke indifference, if too soft soapy, or anger if the lead pipe is too apparent.

"You carry a shifting burden. You are judge, prosecutor, and defendant in one. You must look at all sides of a case, even if it gives you a stiff neck. You are

required to perform a magician's trick—extract money painlessly. And if you fail, if your approach is wrong, you may collect a few dollars and lose a potentially valuable account."

The first two letters in the booklet are intended to help the retailer extend his credit facilities to new fields. The seven other letters are for use in collecting from accounts in various stages of arrears. "They are not intended to replace your usual severe duns, but when used with them, probably over the signature of another officer, they may provoke an amiable reply, which is an important step toward collection and the continuance of future business relations."

### The Man in a Barrel

A note of friendly helpfulness is sounded in the first collection letter, which cleverly makes its point, as do some of the other letters, by the use of well-known proverbs.

My dear Mr. Faxon:

"A stitch in time saves nine" means nothing to the naked man in a barrel. He craves clothing.

It is so with the man in debt. All the good advice in the world will not pay the money he owes. He needs something more substantial.

That is why we are writing to you about your unpaid balance of \$120.00. We just want to know if there is anything we can do to help you through an embarrassing situation. While we cannot afford to have our money outstanding, we are perfectly willing to listen to reason and do anything we can to help a friend out of a jam.

After all, many a successful man can look back to the day when he was left with only a barrel to hide his skin.

Write us a note and tell us how we can help you.

### A Good Resolution Gone Bad

The second letter, while just as friendly in intention, seems a trifle more stringent in language, playing this time, on the self-respect of the debtor.

My dear Mr. Faxon:

Every time you break a good resolution, something smashes. And you are the victim. With the crash of a good resolution you lose some of your self-esteem, some of your confidence. You have failed to do something you set out to do. You have betrayed your weakness. You are not as strong as you thought you were, as you wanted to be.

When you opened your account with us you undoubtedly resolved to pay your bills. But your resolution is going to smash. You are weakening. If you fail in this obligation you may fail in other things more important. The enclosed invoice is more than a request for prompt payment. It is a friendly hand extended to help you maintain confidence in yourself.

### A Chip on His Shoulder

Next, the debtor's sense of justice is appealed to, by reminding him in a tactful way, that the goods sold him were satisfactory—but his slowness in remitting is not.

My dear Mr. Faxon:

The man who carries a chip on his shoulder usually has difficulty maintaining his balance. It isn't the weight of the chip that makes the difference, but the knowledge that it is there.

Your chip is not the bill you owe us, but the knowledge that the debt remains unpaid. The longer you ignore our requests for payment, the heavier the chip will become, until some day you will stagger under a load that could be brushed aside today with one stroke of your pen.

You received our goods. They must have been satisfactory for we have not heard from you to the contrary. Undoubtedly you intend to pay for them; but when? Don't wait until your chip becomes a burden, makes you ill humored and out of sorts with everybody.

We shall thank you for your check by return mail.

### "Don't Drive Us to Legal Action"

For the first time in this series of "painless collection letters" the threat of recourse to legal action is used, but in such a way as to give the debtor an opportunity to explain the reasons for his failure to pay.

My dear Mr. Faxon:

An old Indian proverb says: "He who bears the burden on his shoulders, knows its weight."

Perfectly true; but until he speaks up, the overburdened sufferer very likely will not receive the help he needs.

That is the purpose of this letter—to ask you once more to speak up, give us an opportunity to lighten your burden.

It is impossible to go on forever playing a one hand game. There is no thrill in making love to an image. We have written you five times and have sent you six statements of your indebtedness to us, yet you have ignored them all.

Do you know that nine out of ten judgments are obtained because the debtor refuses to answer letters? Don't drive us to legal action. It is expensive for us as well as you.

You must have a good reason for not paying your bill of \$120.00. Write today and tell us all about it. Use the back of this letter, if you like.

### "We Are Wondering—"

The story of the swallow and the raven is used to appeal to a man's legitimate pride in a good credit reputation.

My dear Mr. Faxon:

Speaking of a man's credit reminds us of the old story of the beautiful swallow and the sturdy raven. These two birds were contesting for a prize. The judges had practically decided in favor of the swallow, when the raven saved his case by saying: "Your

(Continued on page 31)





# The Credoscope

*J. H. Tregoe*

## The Franc and the Pound

Even for those not interested in business and finance, what has been going on in France recently provides great interest, and there is in it a wonderful lesson for the credit student.

When in England last summer I was charmed with the courage and patience of its people. Faced with serious unemployment, over-population, industrial unrest and the probability (which later materialized) of a coal strike, there was no bitterness discernible, but a dogged intention to see things through.

I was confident that Britain's fundamentals would keep her straight, because one of the most important things to a nation had not been neglected—her public credit. A credit dollar has no more value than the real value into which it can be converted. Fully recognizing the implacable nature of this rule, Britain returned to the gold standard. Despite the many problems and the unrest, Britain has materially profited by her recognizing this rule. Her gold reserve decreased in a year probably \$40,000,000 but during that time her wholesale price index declined twenty-two points. Her retail price index declined seven points. Unemployment decreased by approximately 200,000, and steel production increased. With her public credit preserved, and the pound fluctuating very narrowly in relation to the dollar, Britain is in a safe situation, and her people can tackle their problems with confidence.

In France I found but little unemployment, with industries generally active but with a public credit almost blown to pieces, and since declined to serious extremities.

Twenty-one francs for the dollar was the exchange rate a year ago. Since then the dollar could purchase forty-eight francs.

Her people are not conscious, apparently, of their loss, and what it means to a nation when its public credit is not preserved. There was a lack of courage among the Deputies which resolved later into childish humors and a seeming inability on the part of those who should have told the people the exact facts and the sacrifices they would have to make.

I was not at all surprised at the recent intemperate outbreaks and the indignation expressed against the British and Americans. But these outbreaks will not heal the trouble, and it cannot be healed until the people generally recognize that the franc can have no larger value than that of the actual goods or services into which it may be converted.

It often seems difficult for people to understand that Governments cannot manufacture money by printing presses, that a promise to pay is of no better value than what the promise will produce; and apparently in France credit principles, if even partly understood, had not been regarded with the judgment and the courage they demand.

It is all a question of credit—what credit is, what it can do and how it should be handled. There is no difference between a government or an individual in making promises or receiving something of value on credit terms. If there is any doubt as to the conversion quality of the promise, then the promise naturally falls below par or may become perfectly worthless.

We should not regard the intemperate outbursts in France with indignation or resentment. We should regard them with deep regret, because ignorance is at their base, and it is very sad when people endeavor to place upon others responsibilities which properly belong to themselves alone.

These modern days show us

clearly that credit is taken too much for granted, and insufficiently studied. The curricula of our schools contain many subjects of far less value to the welfare of individuals and of governments than a comprehensive knowledge of credit.

The pound and the franc challenge the imagination just now, the one in its serenity and the other in the doldrums. The one is serene because business morality has been preserved, the other disturbed because the morals of an important human factor, credit, have been destroyed.

## The War Debts

The recent commotion in Great Britain and France, over the adjustment of the inter-allied indebtedness, had brought the matter into the public eye. For its proper appraisal, sentiment must be severely kept aside.

Several years ago, before Great Britain had adjusted her indebtedness to the United States, and when the subject was under general debate, I felt strongly that on proper conditions the cancellation of the war debts to us would be not generous alone, but wise; but I felt then, and the feeling has never changed, that the collection of these debts would cost more in the long run than the face of the debts.

When Great Britain courageously faced the issue and made a settlement of her indebtedness to us, I refrained from voicing again publicly my personal beliefs, because the majority opinion, both in and out of Congress seemed to favor a collection of the debts and it seemed no longer appropriate to voice publicly my sentiments on the subject.

At this juncture of the issue, with some of the indebtedness settled and with the settlement of other indebtedness (particularly that of France) pending, it is wise for us to maintain

a prudent composure, and not be swept off our feet by either sentiment or resentment.

When in France last summer I was conscious that the spectacle constantly exhibited, of tourists from the United States spending money like water, flaunting their wealth in the faces of people with a serious financial problem, was creating a strong feeling against the justice of our demands, and I was not at all surprised over the recent outbreaks in France against our tourists.

These incidents should not color our opinion of the French people. The whole issue must be considered aside from its personal application. It is a grave international situation, the final chapter of which has by no means been written.

We have indisputable right to collect the sums due us from our Allies. There is no question about the strict justice of the demand; but there are certain entirely natural features, in the question which must be contended with, and it is these incidents which long ago convinced me that the collection of this indebtedness will be extremely costly.

Cheap currencies are always a disadvantage to exporting countries with stable currencies. Cheap currencies permit sales abroad and affect purchases abroad. We are feeling keenly the competition of certain French products, sold at very low prices, in our markets, because of the cheap franc. We are finding it difficult to settle with France because so many more francs are needed to pay the dollar indebtedness.

This is a more serious question to Great Britain than to ourselves, but at the present stage of our industrial progress we are finding it more and more important to establish markets abroad for certain of our products.

Lord Rothermere, while disclaiming any personal antagonism to the United States because of his attitude toward the war debts, yet recognizes the seriousness of the matter to

Great Britain because of her necessity to sell abroad in order to pay for foodstuffs and for raw materials she needs of other countries. He recognizes the seriousness of the problem, both to Great Britain and the United States.

Undoubtedly the world would have been much further advanced and our own industrial and financial progress even a little further ahead if there had been some kind of an adjustment, after the signing of the peace treaty between the Allies of their war indebtedness, in a manner that would have helped toward the restoration of a gold basis among them all.

There is a strong challenge, in the present stage of the war debt issue, to moderation and intelligent counsel. We are fully within our rights in insisting on the settlement of the indebtedness to us. But there are certain features of the issue that must be carefully observed or else in the attainment of our rights we may hold back debtors whose restoration would mean so much more to us in every way than the collection of their war indebtedness.

My chief wish at present is to counsel moderation among our people, especially in the credit fraternity, in considering the subject, we should abstain from resentment and understand that there is still some delicate work to do before the issue is entirely closed.

### Stock Exchange Values

What has happened in recent months, both with our industries and the range of stock exchange prices, has been confusing many, and is but imperfectly understood.

During the Spring there was a growing feeling of pessimism as to the remainder of 1926, and in a wide field of unfavorable forecasts the National Association of Credit Men, in the Monthly Letter of its Executive Manager, constantly maintained

a favorable tone and anticipated what has happened during the summer and will probably happen for the remainder of the year.

It is difficult for the lay observer to understand the deep, hidden sources of trade movements and conditions as reflected in stock exchange prices. In years gone by, there was more or less guessing. As our credit abilities were very restricted, it was not at all difficult to get conditions into a bad shape by going beyond prudent limits and overplaying credit. We shall long remember the failure of the National Cordage Company in May, 1893, which, within thirty days before its failure, had paid to its shareholders a large cash dividend. This was not a rare instance in those days, but would be a different occurrence today, unless deep-seated treachery were at the bottom of the management.

In order to understand the stock exchange movements as they are entirely legitimate, we must take into account, the ability and prudence with which the managers of our industrial enterprises use credit instruments and are not prodigal in this important particular.

The real crux of good management is the ability and character for the uses of credit, for the building of safe business and the accumulation of capital and reserve. Management is the test, and where management is lacking, stability is soon lost.

In these complex days superficial appearances must not be taken too gravely. Grubbing deep into a situation is necessary in order to discover the hidden sources, the upward or downward movements in stock values; and the best test of management as assuring the progress of an enterprise, is the manner in which credit is used.

As this paragraph is written, the leaders in the advance of stock values are under good management, and have used credit wisely.

### CREDIT MANAGERS ARE REMINDED

that the Amended Bankruptcy Law signed by President Coolidge three months ago, and published in the July CREDIT MONTHLY, went into full effect on August 27. Among the provisions of the amended law is that on and after August 27, 1926 the time for filing claims in bankruptcy is limited to six months after adjudication instead of one year as formerly.

# Answers to Credit Questions

By Frank G. Hathaway

Manager, Department of Service

National Association of Credit Men, One Park Avenue, New York

**Q.** When a claim is placed in the hands of a collection agency, who uses a draft on the debtor and sends a letter of notification to the debtor at the same time that the draft is forwarded, and payment is made by the debtor directly to the creditor, is the agency entitled to its collection fee?

**A.** The collection agency is entitled to compensation for its services at an agreed rate, whether payment is made directly to the agency or to the creditor at any time after the claim has been placed in the agency's hands and before it has been withdrawn.

**Q.** We are having trouble in handling our drafts, which are payable on arrival of car and have shipper's order bill of lading attached. In a number of cases our customers have remitted to the collecting bank, which failed before remittances were forwarded to our bank. Can you tell us how we can be protected against failure of these banks, or how we can have our draft considered as a preferred claim and not be made a general creditor of the bank?

**A.** The only course which would be effective to accomplish this end would be to forward the draft with bill of lading attached to the bank, with a letter asking the bank to collect the draft, taking therefor a certified check or money order to the order of the creditor, and to remit the identical instrument received from the debtor.

The letter should also state that the draft is forwarded with the request that if the bank is not willing to accept the item for collection on the terms indicated, the papers shall be returned to the creditor. In such case, if the bank should collect the funds and mingle them with its general funds, the officer or employee guilty of so doing could probably be held criminally liable.

A statement on the draft reading, "The funds received in payment of this draft are to be held separate and the identical proceeds remitted by the collecting bank," would, under the authority of *Kansas Flour Mills Co., vs. State Bank of Woodward*, Supreme Court of Oklahoma, decided June 15, 1926, be sufficient to impress a trust upon the fund collected, so that the same would be subject to be traced into the hands of the bank commissioner, who might take over the bank as insolvent.

The practical difficulty in such cases, however, is in the inability of the claimant to trace the trust funds which have been mingled with the general funds of the bank.

**Q.** One of our customers was a partner in another retail business, but when he filed a voluntary petition in bankruptcy, he did not schedule his interest in this business as indicated. Why did he not schedule this interest as an asset and what can be done about it?

**A.** It is impossible to state why he did not schedule his interest as an asset. It may have been due to ignorance, bad

## As To Legal Advice

**THE** Department of Service cannot give advice regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished by the Department only as to the general principles of law involved.

advice, or design. It is the duty of the receiver or trustee in bankruptcy, however, to collect all of the assets belonging to the debtor and the bankrupt's interest in the retail business is unquestionably such an asset.

If the receiver or trustee does not take action, any creditor can, through his attorney, take the matter up direct.

**Q.** If we receive a check from one of our customers for an amount less than the amount of their indebtedness, bearing on its face that it is accepted in full of account, then we have that check certified, does the act of having it certified bind us to accept that amount?

**A.** Where a check is sent in full settlement of a disputed or unliquidated payment and the creditor certifies the check, there is such acceptance as will constitute an accord and satisfaction in the absence of fraud or other misconduct on the part of the debtor.

The reason is that the drawer loses control of his funds through the transaction as absolutely as if he had paid to the bank, for the use of the holder of the check, a corresponding sum in cash or as if the check had actually been collected. (*Scheffacker vs. Hoopes*, 113 Md. 111.)

The certification of a check at the instance of the owner and holder operates to discharge the drawer from liability and to render the bank liable to the owner and holder. (*Dunn vs. Whalen* 120 N. Y. App. Div. 729.)

**Q.** Will you kindly advise us as to the responsibility where a check has been certified by a certain bank and before the check has been realized upon, the bank fails? Is the maker of the check still liable?

**A.** If a check is certified for the holder, the holder has accepted the liability of the bank in place of that of the maker of the check, and his claim is solely against the bank.

**Q.** We have sold on open account a certain quantity of merchandise, on which an initial payment has been made. Is there any way we can secure the balance of the merchandise to take care of the balance owing?

**A.** It is a general principle of the law of sales that, when goods are sold on open account and possession has passed

to the purchaser, title vests in the purchaser unless there is an agreement to the contrary. Under such circumstances the goods cannot be replevined if not paid for and the only recourse which the seller has is an action for the price. After obtaining the judgment in such an action, the particular goods can be levied on and can be bid in at the Sheriff's sale.

**Q.** A customer sends an order for certain articles and encloses a check to cover them. We make shipment and the check is protested for insufficient funds. Is this using the mail to defraud?

**A.** These facts are sufficient for indictment for use of the mails to defraud and also under the Bad Check Laws of almost all the states.

**Q.** There is a special act of 1876 in Pennsylvania, known as the bailment lease law, which particularly protects pianos and sewing machines against distraint for rent by the landlord if a notice is served him at the time the piano or sewing machine is delivered to the lessee. There seems to be a difference of opinion among Pennsylvania attorneys as to whether that act is still in effect or not. Can you give us any light on this subject?

**A.** After consultation with a Pennsylvania attorney, we are of the opinion that the conditional sales contract is preferable in view of the fact that this contract can be filed and when filed is effective to retain title as against all persons.

A bailment lease contract seems to be good in Pennsylvania without filing or recording, but whether such a contract is in proper form to be classified as a true bailment, is so often a close question and so frequently decided adversely to the owner of the property, that it is believed the use of this form of agreement is not wise.

**Q.** I understand that in the Pennsylvania statutes there is nothing to prevent the organization of a corporation, using a name identical with that of some well established company. Is there anything you know of in the law which prevents such duplication of names? What is the situation in the other states?

**A.** Duplication of corporate names in the absence of statute is subject to injunction under the General Rules of the law of Unfair Competition.

In most states the Secretary of State will refuse to accept and file a certificate of incorporation if the name of the proposed corporation is so similar to a name which is already in the file as to be likely to cause confusion.

Cut out and paste into your "Credit Man's Diary & Manual of Commercial Laws" the questions and answers on this page, which relate to various subjects such as the Bulk Sales Law, etc.

# Forward for the Fund!

## Valuable Protection Already Afforded Creditors

By John E. Norvell

Director, Credit Protection Fund Campaign

**T**HE campaign to build a Credit Protection Fund of at least \$2,000,000 continues. There is still untouched territory to be covered and there are areas which have been a source of subscriptions that are still to be combed with the thoroughness only made possible by time and concentrated effort.

To every member of the National Association, let me say this:

"Are you ready to take up the banner and forge forward to bring in at least your local association's quota? The fact that your association has perhaps filled its quota is no reason for a cessation of effort, for our credit protection work is not a thing just of today. It is a job that the association will always have to perform to one degree or another as the tides of commercial crime rise and fall. Let us look then to the future as well as at our present crusade for honest business.

The results of the second campaign through July 7, 1926, were as follows:

Objective .....	\$750,000.00
Reported by Chairman .....	353,011.36
Rec'd by Natl. Office .....	299,049.06
To be received from local	
Chairmen .....	53,962.30
Paid in Cash .....	136,018.13

In the two drives the following results through July 7, 1926, were realized:

	1st Unit	2nd Unit	Total
Objective .. \$1,000,000	\$750,000	\$1,750,000	
Reported .. 1,060,534	353,011	1,413,545	
Reported to			
Hdq. .... 1,060,534	299,049	1,359,583	
Paid in Cash	975,693	136,018	1,111,711

	1st Unit	2nd Unit	Total
Subscriptions			
Subs. Recd. ....	7,289	2,677	9,966

Average Sub. per Member Subscribing	\$145	\$111	\$136
Av. Sub. per Member of Assns. Participating .....	\$57	\$39	\$51

Just as last year, there are several associations that have sent in reports of certain amounts raised, but have not yet sent in the actual subscriptions covering these amounts. The authority for including these in the amounts reported raised is based on letters and telegrams that reported subscriptions.

Subscriptions received by the National Office since the date of this report bring the total amount received in the campaign for the second unit to \$305,007.06, the amount paid in cash to \$139,942.13, and reduces the amount still to be sent in by Local Chairmen to \$48,004.30. Against the total report of \$1,413,545.89 raised in the first and second units of the campaign, \$1,365,541.59 has now been received.

### Honor Cities

There were four honor cities in the second drive which are those in which the quota was raised or in which it was

## A Judge on Credit Frauds



"THERE is no phase in the field of law in which practices of fraud, perjury, padding of books and estimates, cheating and underhanded means are so flagrantly used to defeat the law as in the Bankruptcy Act."

\* \* \*

"The big trouble with the law today is that punishment seems inconsequential to so many persons who hear of this criminal and that criminal getting off lightly through sentimental pleas for sympathy."

\* \* \*

"It is within the knowledge of the Court and I think within the knowledge of everyone who has had occasion to come in contact with the practice in bankruptcy cases, that there is probably no other field in which there is so much irregularity and fraud and corruption, and in which there are so many efforts made to defeat the ultimate purpose of the law, which in bankruptcy is that the creditors themselves shall receive the estate instead of certain classes of creditors and attorneys."

JUDGE RAYMOND,

U. S. District Court at Detroit, Mich., in commenting on the Rosenberg case which the Association investigated.



oversubscribed. These are the results obtained in the four cities:

City	Quota	Reported	P.C.
Huntington	\$ 8,000	\$10,155.00	127
Clarksburg	3,000	3,125.00	104
Richmond	20,000	20,535.01	103
Louisville	25,000	25,000.00	100

The subscriptions in the second campaign were as follows:

Subscriptions Received .....	2,677
Average per Sub. ....	\$111
Av. per Member in these Assns. ....	\$39

Thirty associations did not take part largely because of their inability to put their drives into operation while the nation-wide campaign was in progress. The total membership in these associations in the South and West is 9,004. The total membership of associations participating is 7,664. Thus 1,340 members belonged to associations that did not take part. Those associations which did not fill their quotas and those that were unable to put on drives will have their opportunity of coming through with their allotted subscriptions this fall.

### Clearing the New York Market

Since the Fund was put into operation somewhat more than a year ago through the Credit Protection Department, the Association has brought to successful conclusion some of the most notorious credit fraud cases in the country. The department in the Metropolitan District made a notable step toward ridding the New York market of numerous professional parasites when it obtained the evidence that convicted the principals in the Theda Dress case, the Rialto Cloak and Suit case and the case of Louis Hotez, in the last of which cases a certified public accountant was sent to jail for engineering a criminal fraud.

In the New York City district, bankruptcy sentences have been increasing so that a four-year sentence now is usually compared with much lighter penalties of past years. The cases in this district, too, are of nation-wide benefit because so many out-of-town firms appear as creditors in New York cases; and convictions are obtained in a great variety of trades, in fact in trades in which convictions were never before realized. Often cases, which are brought to the attention of the New York office early, result in the saving of thousands of dollars to creditors through timely warnings.

### Conviction of "Mail Order" Crooks

In the Central Division there were a number of notable cases which resulted in two five-year convictions, and one four-year sentence. There were about a dozen other cases that were concluded with sentences ranging from a year to three years. One group of cases in particular resulted in the clean-up of a gang of "mail order" crooks who had been defrauding many well-run organizations, with a series of rush orders for goods that were sent through the mails.

The Champion Tool Company case was another striking instance where a ring of clever and well-capitalized professional bankrupts worked a merchandise concealment game that stretched out from Chicago to the Atlantic Coast and involved more than a million dollars worth of merchandise, much of which has been traced. This case was a ramification of the famous Newmarket case in New York

(Continued on page 37)

# Edison, Harbord, Hutchinson, O'Reilly Plu



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*Thos Edison.*

## INSTALMENT SELLING TENDS TO STABILIZE PRODUCTION

*By Thomas A. Edison*

Your letter of August 10th was received during my absence on an auto trip. My opinion on your five questions is given in the answers below:

*Has instalment selling gone too far?*

No.

*Do you observe any diminution of instalment sales as compared with cash sales?*

No. Increasing.

*If instalment selling has gone too far, should we look to the banking interests, or the manufacturers to control the situation?*

Do not think either can control it.

*Does instalment selling tend to stabilize production?*

Yes, decidedly.

*Should the individual, for his own good, save before buying, or is it wise for him to pledge a part of his income for instalment payments?*

Instalment payments are compulsory, whereas accumulation by saving is less practicable.

## BOTH MANUFACTURERS AND BANKERS ARE RESPONSIBLE

*By Gen. J. G. Harbord, President, Radio Corporation of America*

The subject is so comprehensive that I can do no more in the space of a letter than to give you my general views in the matter.

*Has instalment selling gone too far?*

By and large I think not. There have been isolated cases of abuse of the sys-

tem, but this need not necessarily be taken that the underlying principles are wrong in the premises.

Let me say, however, that notwithstanding the obvious advantages of instalment selling to the public at large, I am in favor of paying cash for merchandise when one's circumstances permit.

*Do you observe any diminution of instalment sales as compared with cash sales?*

I can only speak for the radio industry where instalment selling is not yet practiced to the extent that it is in other industries. Time payment sales are on the increase among radio retailers and a fair proportion of the radio retailer's business is already conducted on this basis. However, a good portion of radio retail sales are conducted on a cash basis.

*If instalment selling has gone too far, should we look to the banking interests or the manufacturers to control the situation?*

I think it is their joint responsibility. I have full confidence, however, in the ability of either or both to curb abuse or injudicious expansion of time payment sales.

*Does instalment selling tend to stabilize production?*

Undoubtedly so, for it enables a great many people to purchase and enjoy household necessities under circumstances where they would not be able to make the purchase, were they compelled to pay cash. Thus, instalment selling enables the manufacturer to produce a greater number of units, to keep his factory on a more uniform production schedule and to lower production costs—all of which benefits the public as well as the manufacturer.

*Should the individual, for his own good, save before buying, or is it wise for him to pledge a part of his instalment payments?*

I think that he should pursue an intermediate course. No individual should mortgage his entire income by instalment purchases. He should save a part of his earnings for future contingencies. I see no harm in pledging a part of one's income for instalment purchases, particularly when, in so doing, one is enabled to obtain useful articles which will eliminate drudgery or further mankind's normal enjoyment of life, and thereby make the world a better place to live in.

The fact that this subject is having such able consideration on the part of the National Association of Credit Men and others interested will, of itself, tend to prevent abuse of the system.

## MARKED IMPROVEMENT OF AUTOMOBILE INSTALMENT SITUATION

*By B. E. Hutchinson, Vice-President and Treasurer, Chrysler Corporation.*

Speaking generally, we do not believe instalment selling has gone too far. Certain instalment selling practices, perhaps, deviated from sound financial principles,



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*J. G. Harbord*

but our observation is that these unsound instalment selling practices tend to eliminate themselves. This, certainly, has been the case with instalment selling of automobiles. In the automobile industry local conditions in some parts of the country brought about instalment terms which provided for too small a down payment and extended the time during which the unpaid balance matured over too long a period.

The past year has seen a very marked improvement in this situation due, in large part, to the unsatisfactory experience which developed from the automobile manufacturers', the automobile dealers' and the finance companies' point of view. The automobile manufacturer found his market limited by the increased delivered price to the public of the time payment car; the dealer discovered that a secondary effect of such unsound financial terms was to flood his market with second hand cars at ruinous prices, and the finance companies discovered that such competition in terms failed to materialize a profit or to earn for them the continued good will either of the manufacturer or the automobile merchant.

The control of the principles under which automobile financing can be soundly conducted does not lie entirely with the banking interests or the manufacturers. The interest of the automobile dealer in the terms under which automobiles can be financed is equal to that of either the banker or the manufacturer. Broadly speaking, the manufacturer and the automobile merchant are interested in the development of terms which will afford them the broadest market, and they, quite properly, regard these questions with a merchandising bias. Finance companies

# Reilly Plumb and Pouch on Instalment Selling

and bankers, on the other hand, should regard the questions involved principally from a credit standpoint, and we believe the best interests of all concerned lie in the acceptance of the general principles that the time payment sale of an automobile as collateral to a loan, and the terms should, in general, provide that the second hand value of the car financed should be at least equal to the outstanding unpaid balance. We believe, in the long run, the manufacturer, banker and merchant will all come to realize that sound financing is for the benefit of industry at large.

Instalment selling has contributed to the stabilization of production, although its effect in this direction probably has not been very great. In general, the introduction of instalment selling methods in the automobile industry has not reduced, to any marked extent, the seasonableness of the business. During periods of prosperity, such as the country is currently enjoying, certain classes of buyers display a tendency to buy for cash, but this, in general, is compensated for by a class of buyers lower in the economic scale stepping in and buying merchandise on the time payment basis which, in less prosperous times, they would not purchase at all.

We believe the country has benefited socially and economically through the introduction of instalment methods of financing sales. Substantial benefits to the individual, such as automobiles, washing machines, victrolas, etc., etc., have been acquired on the instalment basis. From the lowest to the highest in the economic scale, our observation is that the incurrence of an obligation and its subsequent discharge is an incentive to intense and continuous effort.

We feel that the scrutiny and discussion which the subject of instalment buying is currently receiving has been a salutary influence, and has largely corrected any abuses which a year or so ago threatened to be troublesome.

We are very glad to make this contribution of our point of view to whatever consideration you may be giving to the questions involved.



FAYETTE R. PLUMB



G. A. O'REILLY

## SLIPSHOD CREDIT METHODS MAY DEVELOP

By G. A. O'Reilly, Vice-President, Irving Bank-Columbia Trust Company, New York.

It is impossible to tell how nearly we have approached that intangible thing, "the point of saturation," against which we have been warned so frequently but which seems as far off as ever. Nearly everyone agrees that careful, intelligent instalment buying is good, and similarly careful, intelligent instalment selling; and of course, everyone condemns carelessness and the lack of proper credit scrutiny at all points.

The only possible dangers I can see are: first, that buying may be made too easy, and second, that slipshod credit methods may develop. These, of course, are things which the credit executive has seen long ago.

## FLUCTUATIONS IN PRODUCTION WILL BE INCREASED BY INSTALMENT SELLING

By Fayette R. Plumb, President, Fayette R. Plumb, Inc., Philadelphia

The pressure for sales at any cost has led to the extension of instalment selling into fields where it does not belong. It is a dangerous method for increasing sales in the hands of those who do not know how to measure the credit risks and how to reduce them by efficient safeguards.

Instalment selling may stimulate the sales of some particular industry temporarily and may even do so permanently when the real benefit to the purchaser is worth the cost. With a large proportion of the industries, however, to which it has been applied, it can have only the temporary stimulating effect that easy credit provides and must result in an even smaller demand after the easy credit market is saturated or, when business conditions make the difficulty of meeting the instalment payments greater. The practice, therefore, will promote greater fluctuations in the demand and consequently in the volume of production.

## CONSERVATIVE FINANCIAL PRINCIPLES ARE UNDERMINED

By William H. Pouch, President, Concrete Steel Company, New York, President, National Association of Credit Men.

I firmly believe that instalment selling went too far last year for the best interests of the country. I think that some of our conservative bankers realized that condition and have attempted to curb the excesses and have been successful to some extent.

As to whether, etc., it would be very difficult for manufacturers to control the situation, because they evolved the system in order to obtain production, and as it has been successful for that purpose, I doubt whether they will change their opinion. Therefore I believe it is the duty of the banking interests to apply the brakes and conserve the credit facilities of the country on a safe and sound basis.

Instalment selling, in my opinion, does not tend to stabilize production; on the other hand, I believe that it is an inducement for inflation to allow people to spend more money than they earn.

The buyer should most assuredly save before spending. It is a very dangerous principle, I believe, to teach the public to spend their future incomes. For many generations our leading bankers and captains of industry have been urging people to deposit their savings in a savings bank, take out life insurance to protect themselves and their families in the future, and buy homes so as to become property-owning citizens. During the past year this has all changed and the instalment fiend now aims to upset all these conservative principles and preach a policy of spending to the limit and mortgaging future incomes for the sake of increasing his production.

Undoubtedly instalment selling does increase production, and increased production brings high wages, and high wages, if not properly controlled, may mean reckless expenditures, and thus may bring on inflation. I would rather see industry proceed on a more solid and conservative basis, because we will not have so far to fall when the cycle swings the other way.



WILLIAM H. POUCH

# 150 Years of Progress

NEWS from across the water reveals how the 150th anniversary of the Declaration of Independence was celebrated in London.

Some of Great Britain's leading newspapers printed special articles about the wonderful century and a half of progress in the United States. A few of these journals approximated our national wealth at 550 billion dollars. Comparing this amount with one hundred billion dollars, the estimated wealth of Great Britain, they challenged their readers' imagination not only with the comparison of national wealths, but with the disparity of income and the increase in populations. In celebrating the 150th anniversary of the Declaration of Independence this year at Philadelphia, grateful as we are to the forefathers whose imagination and courage led to the formulation of this document, recognition must be accorded our credit system for the splendid part it has played in our progress, and will continue to so long as credit is wisely used.

The rapidity with which our national debt is being reduced appeared a surprising fact; and it seemed unbelievable that the actual money in circulation here would buy all of the British railroads at a fair valuation.

We cannot gloat over this phenomenal progress, which has not been duplicated in all history, without wondering what caused it. Observers might say that the vision, courage and initiative of our people brought about the great industrial progress that in the last two decades

has added enormously to our income and wealth.

Human qualities must have tools to work with. Raw materials were abundant in our country, but even these, added to the human qualities, would not have brought about this wonderful wealth. The connecting link in the process was making credit the chief medium of exchange, and expanding it in a manner that would take care of our growing requirements without endangering the liquidation of obligations. Credit could not have performed this wonderful service, and been the chief ally of our people in working out a wonderful career, unless back of it there had been a technique whereby the uses of credit were understood. Blunders occurred only when zeal was permitted to overcome good judgment.

We have undoubtedly enjoyed credit facilities beyond the conception

of our British neighbors. The technique of credit demands one human quality — co-operation, that has been of itself the mainspring of more progressive activities in our country than anything else.

The members of National Association of Credit Men may well feel elated and gratified that the efforts of the Association for three decades, toward the building of a useful credit technique, have been rewarded with an outcome so distinguished as to be reflected in a wealth and a progress which half a century ago would have been considered a fantastic dream.

—J. H. Tregoe.



Courtesy of Sesqui-Centennial International Exposition, Philadelphia.

## INDEPENDENCE HALL

## Retail and National Credit Associations Seek to Co-operate

BEFORE the recent convention, a committee of the National Association of Credit Men and another from the Retail Credit Men's Association met on two occasions to develop plans for co-operation between the two associations.

At one of the sessions of the convention in May, a Retail Committee met again with some of the Directors of the National Association to consider further co-operation methods.

At the annual convention of the retailers in Los Angeles last month, proposals were made to the convention for furthering the development of a definite plan of procedure.

As Mr. Tregoe pointed out had the two associations been in closer co-operation a great deal could have been done to further the passage of the Bankruptcy Amending Bill and similar legislation and education in which our National organization engages.

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# Louisiana Bulk Sales Law

## Text of Recent Enactment Given in Full

The most recent State law on Bulk Sales is that of Louisiana which became effective on July 15, 1926. The text, as recommended by the National Association of Credit Men, is as follows:

### Act No. 270

Senate Bill No. 69. By Mr. Sandoz  
AN ACT

To prescribe the form and to regulate the manner in which the transfer and sale in bulk out of the usual course of business of a stock of goods, wares, merchandise and fixtures and transfers in payment of debt in whole or in part, pledges, mortgages, sales, exchanges and assignments shall be made, and excepting certain transfers from the application of this act; prescribing the form of statement and oath to be made by the transferee; providing in certain circumstances for the deposit by the transferee of the avails of sales in the registry of the court, and the procedure for withdrawing said money therefrom; to define certain misdemeanors in trade and commerce relating to bulk sales, and to prescribe penalties for the violation thereof; to define and prescribe the civil effects resulting from transfers of personal property in bulk in violation of this act, and to generally regulate the sale of personal property transferred in bulk and otherwise than in the ordinary course of business or trade, and to repeal all laws or parts of laws in conflict herewith.

Section 1. Be it enacted by the Legislature of Louisiana, That the transfer in bulk, and otherwise than in the ordinary course of trade and in the regular and usual prosecution of the business of the transferor, of any portion or the whole of a stock of merchandise, or merchandise and fixtures, or of all or of substantially all of the fixtures or equipment used or to be used in the display, manufacture, care or delivery of any goods, wares or merchandise including movable store and office fixtures, horses, wagons, automobile trucks and other vehicles or other goods or chattels of the business of the transferor shall be void as against the creditors of the transferor, unless made in conformity with provisions of this Act.

Section 2. (a) That the transferor and the transferee shall, at least, ten days before the completion of any such transfer, or the payment of any consideration therefor, make a full and detailed inventory showing the quantity, and, so far as possible with the exercise of reasonable diligence, the cost price to the transferor of each article to be included in the sale.

(b) That the transferee shall demand of and receive from the transferor, or if the transferor be a corporation, then from the president, vice-president, secretary or managing agent thereof, a written statement sworn to substantially as hereinafter provided, of the names and addresses of all the creditors of the said transferor to whom the said transferor may be indebted, together with the amount of indebtedness due and owing, and to become due and owing by said transferor to each of said creditors; and the transferor shall furnish such statement to the transferee which shall be verified by an oath to the following effect:

State of Louisiana } ss:  
Parish of \_\_\_\_\_

Before me \_\_\_\_\_ personally appeared (transferor or agent, as the case may be) who, being by me first duly sworn upon his oath, doth depose and say that the foregoing statement contains the names of all the creditors of the (the name of transferor)

\_\_\_\_\_ together with their addresses and that the amount set opposite each of their respective names is the amount now due and owing and which shall become due and owing by (transferor) \_\_\_\_\_ to such creditors, and that there are no creditors holding claims due or which shall become due for or on account of goods, wares, merchandise or fixtures, or equipment used or to be used in the display, manufacture, care or delivery of any goods, wares or merchandise, including movable store and office fixtures, horses, wagons, automobile trucks and other vehicles or other goods and chattels of the transferor's business purchased upon credit or on account of money borrowed to carry on the business of which said property is a part other than as set forth in said statement, and the facts set out in this affidavit are within the personal knowledge of said affiant.

Sworn and subscribed to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 192\_\_\_\_\_.

Title of officer taking oath  
or corporation, or any person or persons acting

(c) That the transferee shall at least ten days before the completion of said transfer or the payment of any consideration therefor, notify personally, or by registered mail, every creditor of the said transferor whose name and address are stated in said list or of which he has knowledge, or can with reasonable diligence, acquire knowledge, of the terms of the proposed consideration to be paid therefor, the time set for the transfer of said property, the terms and conditions of such sale, and a copy of the statement of creditors hereinabove provided for. Provided, however, that any creditor whose name has been omitted from such statement may give written notice of his claim to the transferee and shall, thereafter, be entitled to share equally with the other creditors entitled to the benefits of this Act as to the proceeds of such sale or transfer as are then held by the transferee.

Section 3. That any person to whom any of the property mentioned in Section 1 of this Act shall be so transferred, who shall pay any part of the consideration therefor to such transferor, or who shall execute or deliver to the transferor or to his order, or to any person for his use, any promissory note or other evidence of indebtedness for said transfer or any part thereof, without first having demanded and received from said transferor or from his agent the statement provided for in Section 2 (b) of this Act, verified as therein provided, and without paying or seeing to it that the purchase money or other consideration of said transfer is applied to the payment of the bona fide claims of the creditors of the said transferor pro rata according to the dignity of their several claims as shown upon said verified statement, and without first having sent the notices of said transfer and such statement of creditors as provided for in Section 2 (c) of this Act, shall at the suit of any creditor, be held liable to all the creditors of the said transferor as receiver for the fair value of all the property so transferred to him. Provided, however, That if the transferor and his creditors do not agree in writing to a schedule of distribution of the proceeds of said sale, or the transferee or his agent has reason to believe that the transferor has failed either to furnish a list of all of his, her, or its creditors or to furnish a statement of the full amount of the debts due each creditor, or for any other reason the said transferee or his agent is unable to make proper distribution as herein provided, then the said transferee or his agent shall, within ten days after the consummation of such transfer pay the consideration therefor, less the expenses of the transfer, into the registry of the District Court of the Parish in which the place of business of the transferor is situated, and the said court shall, upon a proceeding for that purpose brought by any party interested, make distribution of said fund to and among the persons legally entitled thereto, and provided further, that no proceeding at law or in equity shall be brought against the transferor to invalidate any such transfer after the expiration of ninety days from the consummation thereof.

Section 4. That any person by whom any of the property mentioned in Section 1 of this Act shall be so transferred, or any person who is acting for or on behalf of any such transferor who shall knowingly or wilfully make or deliver, or cause to be made or delivered, a statement, as provided for in Section 2 (a) of this Act which shall not include the names of all of the creditors of such transferor with the correct amount due and to become due to each of them, or which shall contain any untrue or false statement, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine not exceeding one thousand dollars, or to undergo an imprisonment not exceeding six (6) months, or both, or either, in the discretion of the court.

Section 5. That transfers under this Act shall include transfers in payment of debt, in whole or in part, pledges, mortgages, sales, exchanges, and assignments, whether for cash or on credit or in exchange for certificates of stock, bonds or other obligations of a corporation, otherwise than in the ordinary course of trade and in the regular and usual prosecution of the business of the transferor, but nothing contained in this Act shall apply to transfers made by executors, administrators, receivers, or assignees under voluntary assignments for the benefit of creditors, trustees in bankruptcy or sales under judicial process.

Section 6. That nothing herein contained shall prevent or hinder the transferor from demanding and receiving security from any transferee to insure faithful performance of the contract, agreeable to the provisions of this Act, prior to fur-

nishing the list of creditors as hereinabove set forth.

Section 7. That any person or persons, firm for or on behalf of any firm or corporation, who shall procure from any transferor a list of creditors as hereinabove set forth, through fraud, misrepresentation, or deceit, for the purpose of injuring said transferor in his business and not for the purpose of securing the creditors of such transferor as contemplated by this Act, shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine not exceeding one thousand dollars, or imprisonment not exceeding six (6) months, or both, or either, in the discretion of the court.

Section 8. That any property transferred in violation of the provisions of this Act shall be subject to attachment in an action brought by any creditor of the transferor.

Section 9. That in case any part of this Act shall be held to be unconstitutional, this shall not have the effect of invalidating any part of it that is constitutional, and the part or parts not affected by such ruling shall continue in full force and effect. This Act shall be liberally construed to promote the purpose for which it is enacted.

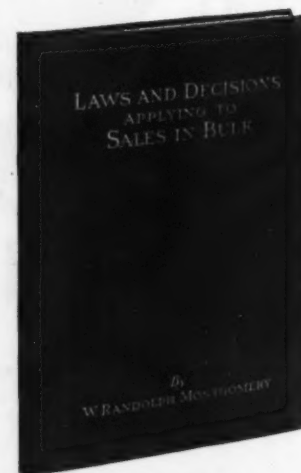
Section 10. That all laws or parts of laws contrary to, or in conflict or inconsistent with the provisions of this Act be, and the same are hereby repealed.

Approved by the Governor: July 15, 1926.

A true copy:

JAMES J. BAILEY,  
Secretary of State.

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## A Credit Problem Surveyed

(Continued from page 9)

the editor gave a fair interpretation to the President's remark by adding that if the public looked upon instalment buying as the President probably did there would be little to fear and less to criticize in its extension. This newspaper made a significant statement in this connection when it said:

"Earning power and continued employment are in fact the only ultimate resources out of which payments can be made. If, therefore, the system of instalment buying is extended to cover articles of daily use that can and should be currently paid for, the dangers of loss are multiplied many times."

Samuel W. Reyburn, President of the Associated Dry Goods Corp., expresses no fear of instalment buying which he characterizes as a form of thrift. The old idea of thrift has been superceded, he says, for the plan of paying for things as you use them. To do otherwise, he says, inflicts unnecessary denial on the one who adheres to the old economic philosophy.

One of the committees of the National Distribution Conference considered the instalment selling problem in 1925. After making its investigation, the committee, of which Dr. Frank A. Fall, Director of Research of the National Association of Credit Men, was chairman, issued a report which may be summarized as follows:

- 1st—The buyer's actual need of the goods should be considered.
- 2nd—The buyer should have the ability to meet payments thereafter without jeopardizing his credit or the well-being of his dependents.
- 3rd—The goods must be of proper quality and as represented.
- 4th—There must be a fair but not exorbitant charge for the privilege of long-time credit.
- 5th—Provisions in regard to repossession must be in accord with the laws of the State in which the sale is made.

The committee believes that intensified competition is the general cause for the extension of instalment sales. However, if the merchant had his choice, he would sell for cash only. The committee refers to the summary of the effects of instalment selling upon individuals which the President of the International Typographical Union made and which is mentioned in the early part of this article.

J. H. Tregoe, in the *Annalist* (New York) on January 8, 1926, characterized the instalment plan as another one of the recurrent methods of making money or credit cheap. He discussed the beautiful theory that instalment selling creates more buying, more manufacturing, more work and wages and therefore more buying, more consuming, etc., etc., but showed that the assumption in all of this was that the machinery would run perfectly and never get out of joint and also that the public could continue to absorb more and more goods. All of which, of course, is in conflict with the sound sociological and economic doctrine of diminishing utility which tells us that human beings' desire for goods diminishes rapidly as the satisfaction or utility drops off. He also called attention to the necessity of drawing a careful distinction between consumption and production credit. He declares that it would be much better to limit instalment purchasing to the more

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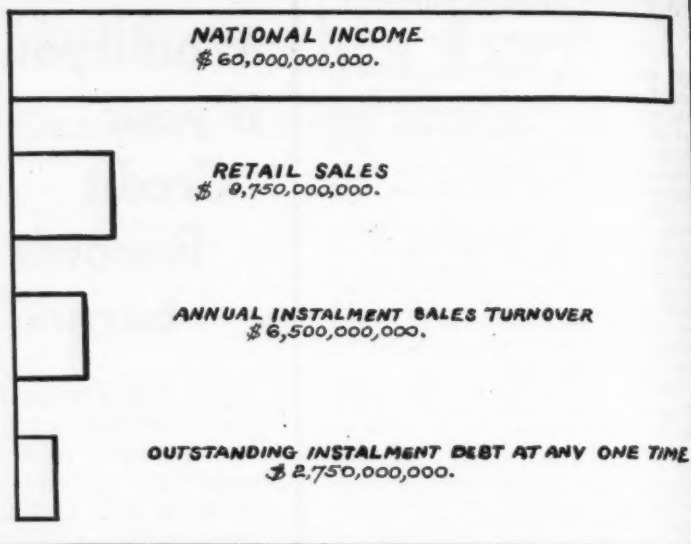
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And you expect them to . . .  
Or you wouldn't . . .  
O. K. their accounts . . .  
And of course . . .  
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Protects their . . .  
Property assets . . .  
So that fire . . .  
Or wind or flood . . .  
Can't bankrupt . . .  
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useful commodities which possess some of the character of production goods.

selling than we are by the present situation.

### Safer Merchandising

Arthur J. Morris, President of the Industrial Acceptance Corporation, who has through his company handled millions of dollars in instalment paper, in November, 1925, expressed emphatically his opposition to the acceptance of Tom, Dick and Harry's credit. He calls upon all the allied businesses in the automobile field to co-operate in safe-guarding the automobile business by making its finance sound. In this cycle, he includes the automobile banker, manufacturer and salesman. He believes that safer merchandising can be accomplished and that already the commercial banker has shown that he is receptive to a more careful consideration of instalment credit risks.

James Simpson, President of Marshall Field and Company, is fearful of the extension of instalment buying which he considers a departure from sound tradition and from the doctrine of common sense. He emphasizes the folly in buying on the instalment plan some classes of goods which are greatly deteriorated in the event of repossession. Instalment selling, in most instances, to Mr. Simpson, is a speculation in merchandise.

An editorial article on May 29, 1926, in the Saturday Evening Post discussed the future depression in relation to instalment selling. It read:

"Commerce in goods and in service is based on a normal outlook, and no scheme of trade can be conducted, based on continuous fear of imminent and profound economic depression. There must be confidence or there will be hoarding."

This editorial, therefore, pointed out the necessity of a careful handling of consumer's credit to make it so safe that fear of depression would not eventually interfere with retail distribution. And as the Post points out there can be just as many luxuries bought on a cash basis as on the instalment basis which would help to emphasize depression just as instalment selling could.

The continued rise and success of all mail order houses in the face of instalment sales is pointed to as a fair indication that the more popular deferred-payment merchandising plan is not running wild. Perhaps we are more worried by the future extension of instalment

### Anxiety in England

In England they are greatly concerned over the instalment plan which has only recently spread throughout the British Isles. The hire-purchase system of selling automobiles in England has caused as much disturbance as our automobile selling methods did two or three years ago. But the Federation of British Industries which made an investigation of American methods on instalment buying found it to be good for business. And the Federation concluded that the making of regular payments on anything, particularly personal property, is an incentive to work which in the case of America has created our present prosperity.

It must be generally admitted that there is dynamite in the instalment plan unless it is very carefully conducted. There have been a number of small stores and young finance companies which have gone on the rocks in the instalment business. It is not long ago, for instance, that a taxicab company was obliged to go into the hands of the receivers principally because it had sold its cabs on a deferred payment plan and suffered numerous defaults in payments.

### Better Than Open Account Method

Alvin I. Dodge, Manager of the Domestic Distribution Department of the Chamber of Commerce of the United States, is so convinced of the efficacy of the instalment selling method that he believes it may become the most important factor in lowering production cost and retail prices. He considers the instalment account an improvement over the ancient open book account and embraces a new economic doctrine of creating demand through a super-abundance of supply rather than creating a demand and then producing the supply.

The instalment business certainly has revolutionized many things, including paying methods and financing. In fact it has created a special outlet for instalment obligations. In several cities of New York, Pennsylvania, Maryland, West Virginia and Michigan local retail merchants have organized loan banks to finance their local instalment sales. In this scheme the customer signs a note, the retailer endorses it, the finance organizations or loan banks then advance the face

value of the note to the retailer. After that the customer makes weekly or monthly payments to the loan bank, plus 1x per cent. This system amounts to borrowing money from your bank to make a purchase.

Besides this, there has grown up bonding in connection with instalment sales. Surety banks are now guaranteeing more than 100 million dollars of instalment paper which is said to be less than five per cent. of the total volume of such paper.

Joel Rathbone of the National Surety Company said just recently that his concern entered into this kind of business three years ago. They have found it safe, after having devised methods of protection which include contracts of indemnity from finance companies and the refusal to accept instalment paper as collateral unless the terms and down-payments meet their approval.

O. H. Cheney, Vice President of the American Exchange-Pacific National Bank of New York, recently said in pointing out the need of throwing overboard our antiquated methods of distribution, attacked instalment selling as an expression of the old-fashioned inter-industrial competition. Mr. Cheney admits that instalment buying stimulates demand and increases production and therefore tends to raise the level of prosperity and to increase buying power. This practice makes for well-being, he says, but asks the question, *How long can such acceleration be maintained?*

Mr. Cheney's remarks bring us back to another problem in instalment selling which is the competition that has been arising in instalment methods themselves which would, no doubt, if left uncurbed, bring us to the danger point if depression appeared on the horizon. The answer to this, of course, has been invariably that depression can be anticipated and that all that is needed is to keep close watch on the trends in order to be ready to curb. However, this merely lessens disaster and does not prevent it. In fact, sudden curbing in the presence of depression, the future extent of which can never be ascertained, may bring about such sudden cessation of production and employment as to cause catastrophe. If only few instalment obligations were outstanding, they would contribute little impetus to a decline in general business.

W. D. MacLean, Vice President of the Morris Plan Company of New York, says that the evils in instalment selling are largely selling without scientific investigation of risks and the padding of prices.

George M. Reynolds, Chairman of the Continental & Commercial Trust & Savings Bank, although not opposed to instalment selling, said a few months ago that he sees dangers in excessive purchase and in the methods of handling instalment accounts.

#### Bankers Not to Blame

Melvin A. Traylor, President of the First National Bank of Chicago, says that instalment selling has created the slogan, "Have to Save," which has superseded "Save to Have." He points out that the experience of bankers with instalment paper has been entirely satisfactory and deplores the fact that the banker is, by some, being held responsible for the increase in instalment paper. However, he says that bankers merely respond to the demand of the manufacturer, seller and distributor and that these are the men who can curb any danger that may result from instalment merchandising. However, in concluding, he says, that of course, if instalments were to go too far

the bankers would naturally protect themselves and that their doing so would slow down production and cause unemployment until adjustments were made in instalment commitments. He says that *no individual should commit himself in instalment payments for more than he would ordinarily save in 12 months.*

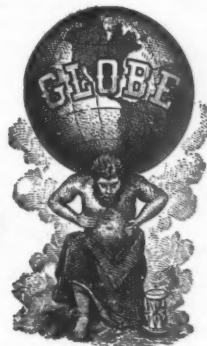
Arthur G. Welton, writing in the New York Evening Post, January, 1926, says that instalment selling will make the next period of depression more intense, and that the situation created by the plan in recent years is bound to bring with it abuse. He, like others, points to the necessity of distinguishing between capital and consumption credit. He discusses high-pressure selling methods and says:

"A man who signs an instalment contract surrenders nearly all the property

rights he has acquired by the Magna Carta."

The success of the plan, he says, depends upon the honesty with which it is conducted by the seller and on the proper consideration of credit methods.

From what we have read in the foregoing we can see that the safeguarding of instalment merchandising, now that it shows itself as a rugged reality, is not only a credit question. It is a financial, selling, advertising and consumer education problem. If the public through propaganda and publicity could be instructed in the proper methods of budgeting for instalment buying, an almost impossible burden would be taken off the shoulders of the retail credit manager. Furthermore, if there were a more nearly perfect method of checking up consumers' overbuying, then consumers' credit



## The Property Statement will tell—

Amount of insurance  
Property protected  
Contingencies covered  
Underwriting companies  
—all of which are essential for proving  
the desirability of a credit risk.

Assets as of January 1st, 1926. \$67,922,096.58  
Capital ..... 3,500,000.00  
Surplus ..... 24,161,943.85  
All other liabilities ..... 40,260,152.73

## Globe & Rutgers Fire Insurance Company

111 William Street  
New York

#### OFFICERS

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Lyman Candee, Vice-President    W. H. Paulison, Vice-Pres.  
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could be more safely and accurately judged. Also, if all bankers could be made more cognizant of the dangers that lurk in careless or reckless credit checking, they would insist upon more rigid qualifications in the individual risk before they would accept paper. Finally if sales forces and advertising organizations could be made to see the destructive selfishness that exists in irresponsible "go-get-'em" methods, they would alter their procedure for their greater benefit in the long run.

Although instalments are not new, they are new in their present form and expanse. We must expect therefore a difficult problem until our business world finds its way through the maze,—as it always has to in any new program of finance or selling.

### Credit Manager Plus

(Continued from page 11)

a big stock for them. Practically any item is available within 24 hours—less if the customer is nearby. We make every effort possible to sell our customers only what they can re-sell promptly.

#### Letters for Poor Accounts

Our credit department is especially interested in turning poor accounts into good ones. For this reason, about every three months, we examine the sales records of all accounts. To each customer to whom no sale has been recorded during that period we send the following letter:

"Gentlemen:—

While we do not recall any recent complaint from you, we were surprised to find in going over our ledger this morning that we hadn't received any business from you for quite some time.

We feel keenly the apparent withdrawal of your patronage and would appreciate it greatly if you will kindly advise us why we do not hear from you.

If you have any grievance or cause for complaint, won't you kindly tell us about it so that we may immediately investigate and adjust it to your satisfaction?

Our facilities for taking care of such needs as yours in the line of Hardware, Tools and Factory Supplies are better than ever and we are in position to give you the kind of service and prices commensurate with quantities which very few houses can offer.

We firmly believe we can save you considerable time and money on an average of six months or a year's business.

May we have a frank reply?

Very truly yours,"

This letter has revived many dormant accounts, sometimes acting as a jog to the customer's memory; sometimes revealing a misunderstanding which could easily have been cleared up.

Some time ago, the credit department checked a list of about 300 accounts we knew to be quantity users of our merchandise but which were only making trifling purchases through us. We reasoned that, although anyone can sell hardware and tools, we believe we give a service that others cannot render. We are of course entitled to a profit on our investment and a reasonable return for our efforts. They were costing us more to handle than we could make on them. Yet we knew that they represented a large potential market. So we sent them all this letter.

"Gentlemen:

We are writing with the enclosed statement to call your attention to the very small amount of your purchases and to ask if you can suggest some way by which we can make the account mutually profitable.

This implies no reflection but we are sure you will be reasonable enough to concede that these small purchases must be very expensive to handle.

We do not wish to turn away any business but the handling expenses, especially on these small purchases not only preclude the possibility of any profit but mean an absolute loss to us.

Undoubtedly you must use considerable quantities of Hardware, Tools and Factory Supplies. Our connections are such that we feel sure we can show you a saving on an average of six months' or a year's business if you would concentrate your purchases with us.

We enclose a stamped envelope for your reply and trust you will write us frankly.

Very truly yours,"

Our sales manager believed that we would lose all of the accounts by using the above letter. The results, however, checked very carefully for five months, showed a small but healthy increase in monthly purchases by 80 per cent. of the list. Less than 10 customers took offence at the letter. *Not one customer stopped buying.*

Our stock represents approximately 125,000 items and presents a complex promotion problem. We solve it by advertising our name by means of cards and trade papers—and special direct mailings, which we send out almost incessantly. Every three to five weeks each one of our customers gets some special item. Between times, special lists are circularized on appropriate items.

There is much talk of lack of co-operation between the sales and credit departments. As I see it, a salesman must be optimistic, with a large viewpoint. A credit manager must examine with a microscope, even at long distance! As I have tried to explain to our salesmen, when you lose an account you lose not only the cost of the merchandise, but also the profit and the cost of selling and handling. It pays therefore, to pick your customers.

Not long ago, one of our salesmen brought in a large order from a company that seemed to be expanding rapidly. It had been on our books for two years and, although not prompt, had taken care of its obligations. But this order was so much in excess of its usual purchases that I asked the salesman just why they were ordering in such quantities. He explained that his customer had recently taken a large contract from another firm, was working three shifts a day and had just found it necessary to take over an additional factory in order to meet the demands of this contract. On looking up this second firm (and let me say right here that my Credit Men's Association connections opened up channels both locally and out-of-town, and brought to my desk information which I am sure could not be obtained otherwise,) I found a mushroom growth and conditions none too sound. This and other facts led to rejection of the order. Our salesman felt aggrieved until a few months ago the organization which had placed the order with our customer went into bankruptcy and likewise our customer with the very large, attractive looking contract.

Credit management today is an intricate profession which should be approached in the scientific spirit of providing for every known factor—not least of which is the character of the applicant and the nature of the risks which he assumes.

It is my opinion that the credit manager will gain greater recognition in general as it is more fully realized that he, above all others, is the keystone of the safety of the entire business structure.

## Great American Insurance Company

New York

Choose  
Your  
Company

Choose  
Your  
Company

INCORPORATED - 1872

CAPITAL

**\$12,500,000**

**LOSSES PAID POLICY HOLDERS**

**\$175,146,238.21**

FIRE, MARINE AND KINDRED INSURANCE

HOME OFFICE, ONE LIBERTY STREET  
NEW YORK CITY

AGENCIES THROUGHOUT THE UNITED STATES AND CANADA

## The Instalment Plan

(Continued from page 13)

instalment basis, reported that repossessions had amounted to less than 3 per cent. during three years. Most instalment-business firms report that the cost of reclaiming, depreciation, and low resale value of repossessed goods make it impossible to realize the balances due on the contracts.

### Misuses of Instalment Credit

Certain misuses have been and may be made of instalment credit as a marketing device. Although these are incidental, and not inherent in the operation of the device, they are largely responsible for any disfavor or stigma accompanying its use. Business houses and instalment purchasers have both at times misused the arrangement. Some people, either poorly educated or unfamiliar with English, are inveigled by salesmen into signing contracts for goods calling for a schedule of instalments which they are unable to complete. Cheap goods may be sold at high prices in this way. Repossession of the goods sold to these same classes on the slightest pretext has taken place. Another questionable practice is the re-portioning of a balance due under a former purchase over the payments for a new one. By this means a purchaser is kept from acquiring legal ownership of the earlier purchase until completion of instalment payments on a later purchase.

Individual purchasers may buy articles without the intention of paying for them. If only a nominal initial payment is required it is easily possible to secure a desired article with the expectation of paying nothing more than the first payment, having the use of it for a time, and then permitting it to be repossessed. Careless treatment of goods bought on this basis is also commonly observed.

Another abuse is the illegal disposition of goods for which partial payments are being made. While most contracts specify that attempts to re-sell are a default, make the entire balance become immediately due or permit repossession, a purchaser may have sold the goods quietly intending to complete the payments due, and subsequently fail to meet the instalments. In a case of this sort, the business firm may be unable to secure either the balance due or the goods. If the instalment contract has been registered, however, under the provisions of a State registration law, the third party is required to give possession of the goods even though they were bought in good faith. In some states the re-sale of unpaid-for instalment goods is made a criminal offense subject to severe punishment.

The economic basis for retail credit was seriously questioned by Mill in 1875 and by other economists. Little concern, however, is now shown over the system as it is taken for granted to be basically sound.

If the open charge-account were the only available form, credit would necessarily either be restricted to persons of whose financial ability there is reasonable certainty, or greater risks of loss on credit would have to be assumed. The instalment plan provides a method of financing retail trade which is analogous to the financing of trade and industry through commercial bank loans. Each instalment transaction brings into being the condition essential to its own security on a credit basis. Instalment credit thus serves as a device for facilitating trade by affording adequate security for the creditor.

Instalment houses gain an advantage over competitors who sell for cash or on short terms either the same or different lines of articles. Consumers are enabled to acquire commodities that would otherwise not be sold as quickly. A firm may thus extend the area of its market and increase its volume of business.

From the viewpoint of purchasers instalment credit may be advantageous in several ways. It gives possession and use of things earlier than otherwise might be possible, and permits expenditure for high-grade and durable articles which might otherwise be inadvisable. Needed equipment may be acquired through regular payments out of current income without encroaching on savings previously made. The systematic payment of obligations over an agreed period tends also to inculcate permanent habits of thrift and saving on the part of persons pre-

viously accustomed to use up their incomes currently.

### Price of Goods Increased

On the other hand, instalment credit is objectionable from the social viewpoint because it easily leads to excessive consumption of wealth, and through the necessary costs of its operation increases the prices of the goods. Although the use of ordinary book-credit may also result in wasteful expenditures, the attractiveness and the wider range of purchasing power offered by the method of small deferred payments conduces to overbuying and extravagance. Whether one is socially justified in using future income to realize benefits therefrom in the present raises questions of an ethical character. Such disposition of income is economically sound, if one is able to meet all incurred obligations. The prac-



SHIPMENT

## Clearing the path of doubt



## LONDON CREDIT INSURANCE

LONDON GUARANTEE & ACCIDENT CO., LTD.

Head Office: 55 Fifth Avenue, New York City

Oliver J. Matthews, Mgr. Credit Insurance Dept.

C. M. Berger, United States Manager

# New Forms of Credit Insurance



It will be to the advantage of credit men to look into our new forms of credit insurance policies, with their liberal terms and limit up to \$200,000 on a single customer or rating.

Moreover, it will not put you under any obligation to find out about this.

If your customer does not pay, we will!

**UNITED STATES FIDELITY  
AND GUARANTY  
COMPANY**

Home Office at Baltimore

Fidelity and Surety Bonds  
Burglary and Casualty  
Insurance

tical matter of determining the presence of ability to pay rests with the credit executive, who must exercise tact and discretion in extending credit.

The additional cost incidental to conducting a business on a credit basis is necessarily absorbed in retail commodity prices. Any one of three methods of including this cost in the price may be used.

(1) A uniform price is quoted for both cash and credit transactions, the former meaning in this connection not only immediate payment but also transactions on a thirty-day or other regular charge-account. This method allots the expense and bad debt loss from credit extension alike to both cash and credit purchasers, and thus tends to encourage the use of instalment credit by offering no direct inducement to cash payment and yet including in cash price a proportionate percentage of credit costs.

(2) Uniform prices are quoted and interest is charged on any unpaid balance for the time each payment is deferred. The rate is usually higher than the market rate. Interest may be paid in a lump sum at a specified time or be incorporated in the instalments. An example may be given to indicate the result of this method in the purchase of an article for 100 dollars with an initial payment of ten dollars and monthly payments of fifteen dollars at ten per cent. interest. The interest on six monthly deferred payments amounts to \$2.63. In effect the instalment price is increased by that amount or 2.6 per cent.

(3) The most widely used method consists in having one price for an article sold on a cash basis and a higher one when sold on the instalment plan. Three essentially similar ways of quoting the two prices on the same article are in use; (a) by marking the two distinct prices on each article, (b) by marking only the cash price and requiring a per centum additional for deferring payments, and (c) by marking only the instalment price and allowing a discount for cash.

Adding ten per cent. to a cash price to arrive at the instalment price makes a greater burden for the instalment purchaser than imposing a ten per cent. interest charge for deferred payments. Assume again the purchase of an article at one hundred dollars for cash or at ten per cent. higher on the instalment basis with an initial payment of twenty dollars and six fifteen dollar monthly payments. A ten dollar increase in price in this case is approximately equivalent to interest at 38 per cent. on a principal of fifteen dollars for twenty-one months. Thus the cost to an instalment purchaser for the use of credit is 28 per cent. higher than it would have been, if 10 per cent. had been specified as the rate on the unpaid instalments. From the viewpoint of the business firm, if handling the instalment sale were to cost as much as four dollars, it would receive 23 instead of 38 per cent interest on the unpaid balance.

A study was made of the rates of interest resulting from four payment schemes actually used in retail stores. The terms were advertised as adding to the cash price four per cent. to arrive at the instalment price. The initial payment is a specified percentage of the cash price plus the additional four per cent. It is found that the effective rates range from 8 per cent. to 32 per cent., and average 17.5 per cent., a high rate for well-secured loans.

A large mail order house quotes both cash and instalment prices for certain

classes of articles. The actual rates of interest on deferred payments as calculated from its quoted prices for a random selection of articles range from 14 per cent. to 38 per cent., and average 27 per cent.

The extent to which instalment prices exceed on the average cash prices merits consideration. The Federal Trade Commission found from complete information on 355 furniture stores that instalment mark-ups average at least 80 per cent. above cost, and that cash mark-ups do not average more than 55 per cent. above cost. On the assumption that the cost of the article to the firm is the same in each type, its price averages 180 on the instalment as compared with 155 on the cash basis. From a similar study of the household stove business for 1920, 1921 and 1922 the instalment prices charged by a group of public utilities for gas cook stoves were 12 to 13 per cent. higher than the cash or charge prices, and for other retailers the excess ranged from 9 to 16 per cent. These prices may be taken as representative of the fields covered.

An increase over cash prices and in interest charge on unpaid balances is necessary to cover the costs of conducting an instalment credit business. It has been found that the greater the proportion of a firm's instalment business, the higher are the mark-ups and operating expenses. These operating costs arise from the following sources:

(1) An elaborate system of recording the terms and showing the status of instalment sales must be kept. The condition of individual accounts should be readily ascertainable, as well as the total of credits outstanding, delinquencies carried and profits realized.

(2) In states requiring registration of instalment contracts filing or recording fees are charged. This item of expense is often kept down to a minimum by registering only sales about which there is uncertainty as to final and equitable settlement.

(3) The collection of instalments brings an unavoidable expense. In addition to the use of regular collectors it is often necessary to resort to legal steps.

(4) In event of the failure of the collection methods further outlay must sometimes be entailed through the process of repossession and resale of the property. When resale value does not make up for the balance due under a contract, the expenses of repossession are a loss and become a part of operating costs.

(5) Finally, there is a possible loss of interest on outstanding accounts. Capital invested in goods bought on 30 to 60 days' credit and for which instalments are long overdue may have to be paid for with borrowed funds. The instalments paid on the goods may not replace commitments or supply necessary working capital. This results in a costly tie-up of capital investment.

These various cost items make necessary an increase in instalment prices. The method of sale on instalment credit is the cause of the increase. If the business firm adds to the price just enough margin to cover the extra items of operating expense, it may still gain by an increase in volume of business, and a consequent reduction of overhead costs per unit of goods sold.

## An Established System

Instalment credit, as we have seen, is an integral part of our economic system. It facilitates the exchange of wealth and

stimulates its consumption, often somewhat in advance of current sufficiency of income to meet the necessary obligations. It is an accommodation to consumers, and permits a ready satisfaction of their desires. The instalment credit plan provides exceptionally reliable security to the business firm, enlarges its market area, and thereby increases the volume of business.

A certain stigma has attained to making deferred payments for consumable goods, because long-time credit prices are high prices, and only those who were unable to use other plans made use of this one. But the wide introduction of instalment credit has given it a standing of recognized merit for any business transactions. If instalment prices are increased by a margin that covers only the additional outlay to provide the service, then this credit device must be accepted as economically sound. As such, its character should be attested through its general use by all classes.

It is the proper use and not the abuse of a thing that determines its worth. The indictment of encouraging extravagant use of wealth is made against instalment credit. But the bonding of future income is not necessarily over-buying or extravagance, and it may be good economy to enjoy in the present some of the fruits of future earning capacity. Over-extension of credit may come about under any system. Credit executives are in a position to apply a policy of restriction to individual cases of improvidence. Some misuses of instalment methods may also be restricted by legislation. A step in this direction has been the proposal and adoption in nine states, Alaska, Arizona, Delaware, New Jersey, New York, Pennsylvania, South Dakota, West Virginia and Wisconsin, of the Uniform Conditional Sales Act, which has for its primary purpose to make uniform between states all laws pertaining to conditional sales. Its provisions are also designed to curb unwarranted activities of unscrupulous dealers and criminally inclined buyers.

### Consider the Approach

(Continued from page 15)

beauty is only for Summer, while mine will stand many Winters."

Durability won the prize over show. It is so with credit. A man may make a temporary impression upon his trade and upon his associates in business; but if he has not the staying qualities of good credit, he will not win many prizes.

When your account came to us we voted you a raven. Now we are wondering. Won't you settle the issue with your check for \$120.00, the amount of your bill?

### A Last Request

Peaceful requests give way to stronger methods in the sixth letter, with its ultimatum of "check or attorney."

My dear Mr. Faxon:  
When a good Injun goes on the warpath—look out! We have remained peaceable a long time. We saw our goods go into your hands and nothing come back. We have tried to keep cool, be patient, hoping that everything would be all right. But it has not worked out that way.

Our business must have money, the same as yours. When you ordered from us we complied with your directions explicitly. If there is any complaint, we do not know it because you have not told us. We have nine times asked you to pay the overdue balance of \$120.00 and this is the tenth request.

We are peaceable. We like to trade pleasantly, but your silence is making it difficult for us. Fifteen days from today your account goes to our attorney for collection. Won't you help us save this embarrassment by mailing your check for at least a part of your indebtedness today?

### Results!

The cumulative effect of these carefully worded notes at last shows results—a payment on account and the hope of a final settlement.

My dear Mr. Faxon:

We have just experienced the fine glow of warmth that comes when you hear from an old friend after a long silence.

Your letter of August 9, with your check for \$60, is the best news we have had for a long time. They say no news is good news, but not for us. We like to hear from our customers.

There remains a balance of \$60 outstanding against you. If you cannot pay it all at once, pay all you can. Even if you have to split the amount into two more payments, we shall not complain.

Remember, no news is bad news in our business. Please let us know exactly what we may expect.

The superiority of these examples over the ordinary collection letter lies in the combination of a friendly "you" attitude with extreme tact in phrasing. The originality and imagination shown in their composition lifts them above the mediocre and gives them an attention-compelling power.

Elsewhere in this issue Dr. Frank A. Fall reviews a new and extensive volume, "The Law of Installment Sales of Goods, Including Conditional Sales," by Willis A. Estrich.

## Nothing can take the place of Good Management

System, Method, Equipment, Capital and other such essentials of business are never substitutes for brains.

They are only *tools*.

None of them can take the place of Management any more than brush, paint or canvas can take the place of art.

Their usefulness is determined by the ability of Management.

Always at the top must be the power to think, decide, initiate, direct and control.

Good Management seeks a complete kit of the best tools. It recognizes and selects the best—then uses them with skill.

## ERNST & ERNST

ACCOUNTANTS AND AUDITORS  
SYSTEM SERVICE

NEW YORK	CLEVELAND	DETROIT	CHICAGO	NEW ORLEANS
PHILADELPHIA	AKRON	GRAND RAPIDS	MILWAUKEE	JACKSON
BOSTON	CANTON	KALAMAZOO	MINNEAPOLIS	DALLAS
PROVIDENCE	COLUMBUS	PITTSBURGH	ST. PAUL	FORT WORTH
BALTIMORE	YOUNGSTOWN	WHEELING	INDIANAPOLIS	HOUSTON
RICHMOND	TOLEDO	ERIE	DAVENPORT	SAN ANTONIO
WASHINGTON	CINCINNATI	ATLANTA	DENVER	WAGO
BUFFALO	DAYTON	MIAMI	ST. LOUIS	SAN FRANCISCO
ROCHESTER	LOUISVILLE	TAMPA	KANSAS CITY	LOS ANGELES
	MEMPHIS		OMAHA	



# The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, National Association of Credit Men

## Deferred Payments from the Legal Viewpoint

THE LAW OF INSTALLMENT SALES OF GOODS, INCLUDING CONDITIONAL SALES. Willis A. Estrich. The Lawyers Co-operative Publishing Co., Rochester, N. Y., 1926. 1605 pp. \$15.

The phenomenal wave of instalment selling during the past few years was bound to stimulate the publication of information bearing on the deferred payment plan, but thus far the emphasis has been on its general effect on credit and on business, with no thorough-going attempt to treat the subject exhaustively from the legal point of view.

This deficiency,—a very real one to many concerns operating on a national basis of distribution,—has been adequately met by this sizable volume from the pen of Willis A. Estrich, who was assisted, in the examination of many cases, by his associates on the publishers' editorial staff,—Messrs. John P. Trotter, Hyman G. Gould and George R. Bundick.

This is, of course, frankly a law book. It is not ideal summer reading for the hammock or the canoe and it certainly was not intended to be. What it does is to cover the law of instalment sales, both statutory and judicial, in a thoroughly workmanlike way, which will make it the desk companion of thousands of credit and sales managers who see the necessity of being sure of their ground in this fast-developing and still somewhat puzzling form of sales activity.

That which is ordinarily called a conditional sale is, as Mr. Estrich points out at the beginning of his work, a common-law compact. The rights of the parties to such sales have, however, now been largely regulated by statute. The Uniform Conditional Sales Act is characterized by the author as "an attempt to secure a highly desirable result by harmonizing the statutory law on this subject." The author has deemed it advisable in this work to go beyond mere reference and set out the statutes themselves.

In addition, a number of representative forms of instalment contracts are reproduced, as well as other forms dealing with the filing and recording of such contracts, assignments, reclamation petitions and related documents.

Part I deals with instalment sales generally, and consists of five chapters. The first is introductory; the second deals with passing of title; the third with payment; the fourth with remedies (of both seller and buyer); and the fifth with the effect of judgment in action on one instalment upon a subsequent action.

Part II is devoted to conditional sales.

Mr. Estrich first defines the conditional sale, distinguishing it clearly from the chattel mortgage, the lease, consignments, agency contracts, bailments and other miscellaneous contracts. He then takes up the topics of validity, formal requisites, the sale of articles to be attached to realty, the sale of goods for resale, filing and recording, the effect and operation of contracts, the forfeiture of rights of parties for violation of the law, and the rights and remedies of seller on default. The concluding chapters deal with special subjects such as the sale of railroad equipment and rolling stock, discharges of contract, and criminal liability.

Appendix A presents the Uniform Conditional Sales Act, the statutes of the various states and those of the Canadian provinces. The forms referred to above are set forth in Appendix B. The Index, which is of supreme importance in a book of this kind, is admirably complete, consisting of no less than 320 pages.

The volume is well printed and substantially bound. Author and publisher have thus made themselves parties to a benevolent conspiracy, the net result of which is a distinct and valuable service to American business.

## Modern Business Morals

BUSINESS ETHICS. James Melvin Lee, Litt. D. Ronald Press Company, N. Y. 1926. 312 pp. \$3.25

Two elements of novelty set this book apart from most of the existing treatises on business ethics. One is its readableness, which is not surprising to anyone who is familiar with the pleasant style of the author of "Newspaper Ethics" and "The History of American Journalism." The other is the use of the "case system" in the presentation of the material. This method, as applied to a subject as elusive as ethics in business, has its difficulties, but Dr. Lee has surmounted them with conspicuous success.

The volume is appropriately dedicated to the memory of one of America's outstanding teacher of ethics, Dr. Borden Parker Bowne, referred to in the inscription as "a brilliant student during his college days at New York University; an honored member of the faculty after graduation; later a distinguished teacher of ethics at Boston University where he was Dean of the Graduate School of Arts and Sciences; and author of the 'Principles of Ethics,' the standard text in many universities."

Dr. Lee begins by characterizing the social status of modern business, and then plunges into the heart of his subject,—the aims and principles of business ethics. Chapter III deals with "America's

Awakening—Ethical and Legal," and Chapter IV with "The Golden Rule and Some Others." Subsequent chapters are concerned with such subjects as truth and untruth in business, cases of conduct in business ethics, the ethics of corporate management, and commercial bribery in modern business.

Chapter IX and an Appendix of about 70 pages deal with business codes and trade customs. A number of trade codes have been assembled in other texts on business ethics, but Dr. Lee has attempted to classify them, subdividing the Appendix of the book into sections headed respectively "Business Pledges," "Aims," "Trade Rules," "Trade Customs," "Trade Practices," "Trade Principles," and "Codes of Ethics." The "Canons of Commercial Ethics" of the National Association of Credit Men are not included, and the author therefore misses a trick in his competition with Messrs. Frederick and Heermance, but as the Association does not consider it ethical to harbor grudges, Dr. Lee may count himself fully and freely forgiven for the omission.

An acrostic definition of business by Professor Herman H. Horne, one of Professor Lee's colleagues on the faculty of New York University, is quoted at the end of Chapter V. It is here reproduced for readers of "The Business Library" Department of CREDIT MONTHLY: B u s i n e s s is a fair exchange of values. U nited in the interests of buyer and seller.

S ervice is satisfaction of need or desire. I ntegrity is more than income. N o gain accrues when patrons lose. E mployees are associates in the joint enterprise. S uccess is moral as well as economic. S ociety's weal is the business man's true wealth.

## Thrills and Aspirations

ASSURING BUSINESS PROFITS. James H. Rand, Jr. B. C. Forbes Publishing Co., N. Y. 1926. 245 pp. \$2.50

AUTOMOTIVE GIANTS OF AMERICA. B. C. Forbes and O. D. Foster. B. C. Forbes Publishing Co., N. Y. 1926. 295 pp. \$2.50.

MAKING MONEY HAPPILY. Herbert N. Casson. B. C. Forbes Publishing Co., N. Y. 1926. 166 pp. \$2.50.

The first of these three volumes grew out of the experience of a man who is not yet 40 but who has achieved a clear title to membership in the upper circle of big business in America. In "Assuring Business Profits" Mr. Rand presents, in vigorous and readable paragraphs, the principles on which he believes sound business to be based.

These principles are, essentially, the following:

Vision and creative imagination.  
The productive use of time.  
Sound selection and management of men.  
Ample financing.  
Intelligent control through records.  
Proper handling of materials.

Some of Mr. Rand's statements strike one with all the sting of a blow on the elbow, which is doubtless precisely the result he wished to attain. "If you want twenty salesmen," he says, "hire a hundred." This will make some sales managers boil, but it will make all of them think. The same appears to be true of his dictum, "Have two sales managers,—one for new customers and one to develop more business with old ones."

Another pronouncement which is thought-provoking is this (as expressed in detail in one of the chapters): "An executive has ten years in which to make an outstanding success of his business. If he doesn't do it in that time, he never will." This question is obviously open to debate, but Mr. Rand deserves commendation for having brought it up for discussion.

The portion of the book of particular interest to credit managers is Chapter IX on "Collecting Your Profits." The material of this chapter is grouped under the sub-heads "Credit Control," "Sound Credit Extension," "How Much Should the Credit Man Lose?" "Why Encourage Slow Pay?" "Speeding Up Collections," "Good-Will vs. Losses," "Sales vs. Credit Department," and "Sound Credit Procedure." At the close of the chapter there is a summary under the general heading "Credit Control," which classifies credit data under six heads: 1) The Credit and Collection Budget; 2) Credit Information Record; 3) Credit Authorization; 4) Instalment Records; 5) Collection Tickler; 6) Collection Record.

The concluding paragraph of the summary is interesting, and thoroughly characteristic of Mr. Rand's point of view. "Remember," he says, "that your credit department is doing a banking business with your customers, that you are loaning money in the form of merchandise, and that your record system should be as accurate and business-like as that of any other bank."

Readers of Miss Tarbell's books have seen steel personified in Judge Gary and oil in John D. Rockefeller. Messrs. Forbes and Foster are clearly right in their belief that no one man,—not even Henry Ford—is entitled to canonization as the patron saint of automobile manufacture in the United States. Here we have a veritable "galaxy of worthies."

Specifically they are (arranged in the only logical order,—the alphabetical): Harry H. Bassett, Roy D. Chapin, Walter P. Chrysler, William C. Durant, Albert R. Erskine, Harvey S. Firestone, Henry Ford, Charles D. Hastings, Frederick J. Haynes, John Hertz, Edward S. Jordan, Charles F. Kettering, Alvan Macauley, Charles S. Mott, Charles W. Nash, R. E. Olds, Alfred P. Sloan, Jr., H. H. Timken, Walter C. White, and John N. Willys.

If readers of this review want to subject themselves to an interesting intelligence test on one of the world's greatest industries, they may well spend a few minutes running through the list just given, and endeavoring to determine just what each man's part has been in our automotive development. Here we have

genius manifested in a number of different forms. Durant and Firestone, Ford and Hertz, Kettering, Sloan and Timken have all been outstanding figures in the industry, but each has made a contribution to it that is individual and unique.

Henry Ford has, of course, been "copy" for so many writers of books, pamphlets, newspaper and magazine articles, that most of the details of his phenomenal rise are familiar to everybody. But the authors of this book have done well to include less spectacular figures,—John Hertz, the genius of the Yellow Taxi, who made \$800 his first year and got married on it, and who recently organized Omnibus Corporation of America with a capital of \$25,000,000; and Charles F. Kettering, who, in Mr. Forbes' words, is able to "trim a problem of all its branches—reduce it to a trunk—and then follow the trunk

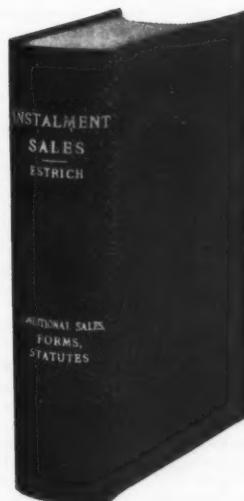
line to the solution;" which explains how he can successfully carry his responsibilities as president of "Delco," the General Motors Research Corporation, the Ethyl Gasoline Corporation, the Moraine Products Company, and so on.

The stories of these twenty men are more packed with thrills than any Nick Carter tale that was ever hidden in the old barn and eagerly read in stolen moments. The ups and downs of W. C. Durant, measured each time in millions, leave the wildest imaginings of the fiction writers flat, stale and unprofitable. This book takes every bit of the bromide out of the ancient and sadly overworked saying that "truth is stranger than fiction."

Once in a blue moon this department indulges itself in the luxury of reviewing an

## INSTALMENT SALES

By Willis A. Estrich



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"inspiration book." The sub-title of this one is "Twelve Tips on Success and Happiness." It may be best to begin by telling what the twelve tips are, so that he who runs may read, and he who cares not to read may run:

1. Do your job a little better than expected.
2. Learn all you can from those above you.
3. Help those who are less fortunate.
4. Get rid of fear.
5. Live one day at a time.
6. Waste no time on little things.
7. Build something.
8. Back yourself to win.
9. Put yourself above worldly goods.
10. Think more of people and less of things.
11. Develop your capacity to love.
12. Develop your mental and spiritual force.

These twelve suggestions comprise Part One of: "Making Money Happily." Part Two consists of three chapters: "The Secret of Personal Efficiency," "The Spirit of Sport in Business," and "The New View of Salesmanship."

The style of these chapters is familiar to all who read—or avoid—the syndicated material which is now provided in such profusion in the daily newspapers. It is characterized by short paragraphs, short sentences, and the frequent use of capitals for emphasis.

Mr. Casson fortunately steers clear of the pathos which is commonly referred to as "blah." His twelve tips are not particularly novel or startling. They represent rather some of the good old basic principles of wholesome living which cannot possibly be set before us too often or too emphatically.

The real message of the book is concentrated in Chapter XII, which teaches that we develop ourselves as mental and spiritual forces, and that success and happiness are the by-products of this force. We must, Mr. Casson urges, get rid of the delusion that we are Things, living in a world of Things, piling up fortunes of Things and enjoying ourselves by the use of Things. We are spirits in a spiritual universe. This is a great truth "which is now barely beginning to be understood by us who deal with matters of trade and commerce." Good doctrine, this, for credit managers—or anyone else.

F. A. F.

### Telling the World

PRINCIPLES OF PUBLICITY. Glenn C. Quilett and Ralph D. Casey. D. Appleton & Co., N. Y. 1926. 420 pp. \$3.

This book is a comprehensive treatment of the practice of publicity which public relations directors prefer to call the profession of publicity. The greater part of the volume will not be of particular interest to persons engaged in association work, on account of the highly technical nature of many of the chapters. However, there are some chapters which would be well for every association secretary in the United States to read with care and re-read a month or so later. Chapters 1, 3, 5, 10, 11, 12 and 17 should certainly be read, and the remaining part of the book might be rapidly digested.

In defining news in this book the authors have not discouraged the layman from attempting to determine what is news, but they point out that what may

seem trivial in an organization has the germ of a news story which imaginative treatment will bring out.

To teach anyone what news is and how to treat it for presentation in the daily press is almost as rudimentary as any other pedagogic undertaking. But to teach people to discover news is quite as difficult as trying to show a man how to produce a drama with the expectation of making him another Shakespeare.

News discovery and creation is like almost everything else in that it can be done best by those who have the knack, temperament, mental reaction or anything else the psychologists choose to call it. Some men, just because they are as they are, could never be made really successful newspaper men. However, these remarks should discourage no one from learning the methods of publicity or news writing. For, if you have a "story" and may have missed fire in presenting it, the newspaper editor who gets it can put his finger on the "feature" or principal idea in the story by a glance at the article.

The reader of this book will find chapters on exhibits and the writing of pamphlets that will be valuable, if for nothing else than to equip him so that he can talk intelligently to the expert who plans exhibits or who writes "copy" for pamphlets and prepares lay-outs. The chapter on printing complements the one on pamphlets with an elementary discussion of types, type faces and displays of type.

There are two things the reader is advised to bear in mind in reading the book. First, publicity is part of the profession of journalism and to be performed properly in a large way it should be executed by a journalist. Second, the best publicity work for the long run is that which recognizes the ethics of the profession of journalism and is not undertaken with an eye to "putting something over on" the editors. The "wise guy," the press agent and the untrained journalist have already done their damage to ethical publicity work. We are now going through an era of repairs that will drive the "bunk artist" and the amateur out of the field. Fortunately, editors themselves are assisting in the house-cleaning.

—M. D. B.

### Commerce Yearbook

The Department of Documents, Washington, D. C., will supply at \$1.00 per copy the Commerce Yearbook for 1925. This 800 page book gives a birds-eye view of the nation's greatest industrial year.

### A Bad Rating Good?

G. W. HOFFMAN of the United States Glass Company, Pittsburgh, has received the following letter from a customer, who, as Mr. Hoffman says, evidently does his "thinking for himself."

"A good rating means a man has three chances out of 100 to succeed—97 to fail. A bad rating means it is harder to get goods when needed, but he will come nearer succeeding because it holds him in check. And no merchant is proof against all kinds of salesmanship.

"Three merchants out of 100 succeed without failing; four more out of 100 succeed after failing two or three times; ninety-three out of 100 never succeed at all; eighty of the 93 fail on account of not being able to manage all salesmen in their buying."

# Addresses Wanted

**AJAX WRENCH CORP.**, formerly 50 Church St., also c/o Arco Sales Co., 142 Liberty St., New York City. Now moved to some location in Brooklyn.

**APPELBAUM & COHEN**, formerly at 524 Osborne St., Brooklyn, N. Y.

**AGASSIZ, GARNAUT**, business Promoter, formerly at Hotel Shelton, New York.

**BEHREND CO., JAMES**, 54 Front St., more recently of 27 W. 15th St., N. Y. at one time with the Valmer Laboratories, Inc., 10 E. 15th St., City.

**BERTLE COMPANY**, formerly of Dover, Del.

**BLAFKIN, SAM.**, formerly of 15223 St., Clair Ave., Cleveland, O.

**BERKOWITZ, IRVING & GOLDSTEIN**, ABE, formerly of Knickerbocker Cheese Co., 421 Knickerbocker Ave., & 8441 Jamaica Ave., Brooklyn, N. Y.

**BRAND, ETHEL R.**, formerly of 1150 Book Bldg., Detroit, Mich.

**BRANNER, HAROLD C.**, formerly of Dresscraft Co., 151 W. 35th St., N. Y. Now operating in White Plains, Mt. Vernon or New Rochelle, N. Y.

**BRUST, H.**, formerly of 49 East Kingsbridge Road, New York City.

**CARPENTER, H.**, 509 E. 3rd St., Sedalia, Mo.

**CASCONE, PIETRO**, formerly of 408 Roebling Ave., Trenton, N. J., and lately of 464 E. 83rd St., New York City.

**CENTURY HABERDASHERY**, formerly of San Francisco, California.

**COOK, N.**, formerly of Reliable Pharmacy, Kings Highway cor. 9th St., Brooklyn, N. Y.

**DEYA, FRANK**, formerly of 5201 Greenfield Ave., West Allis, Wis. Last known address 1926 Vlelt St., Milwaukee.

**DRAPER, A. K.**, formerly of Central City, Kentucky, now reported to be somewhere in Florida.

**FOGELMAN, MORRIS & SCHWARTZ**, SAMUEL, formerly of Inwood Public Market, 603 W. 207th St., New York.

**GILLET, M.**, formerly of 253 E. 125th St., New York City.

**GILLETTS LTD.**, 310A Olympia Bldg., Brockton, Mass.

**GRAMMIS, C.**, formerly proprietor of Mid State Candy Co., 219 Pearl St., Grand Rapids, Mich.

**GRIMES, JESSE, PROP.**, formerly of Grimes Auto Service, Wichita, Kan.

**HARRIS, GEORGE B.**, formerly in the Real Estate Business at 4051 West Washington St., Los Angeles, Calif.

**HAMILTON, BERT**, formerly of The Good Will Publishers, Cincinnati, Ohio.

**HAZLEP, W. E.**, formerly of Crescent Mach. Co., Eureka, Kansas. Operating Crescent Mach. Co., later moving to St. Marys, Kansas.

**HERRON, ROBERT**, who conducted a Grocery & Provision Store at Allerton, Mass., also of Daytona, Florida.

**HIRSCH, HARRY H.**, formerly of 157 W. 14th St., New York City.

**KLION, GEORGE**, formerly of National Jewelry Co., Binghamton, N. Y.

**LEONARD, S. F.**, formerly of Leonard's Garage, Grand Rapids, Mich.

**LONG, T. A.**, formerly of Dallas, Texas.

**LOCKHART, J. R.**, formerly of Tampa, Fla., also Little Rock, Ark.

**LIPSCHULTZ, ARTHUR**, formerly of 3535 South Halsted St., Chicago, Ill.

**LUTZ, L. E.**, formerly of 362 West 17th St., New York City.

**MILLS, F. S. CO.**, formerly of Gloversville, N. Y.

**MORRISON & SON M.**, formerly of 15 E. Washington St., Chicago, Ill.

**McCULLOUGH, IDA MAY, Mrs.**, formerly of Rochester, Texas.

**McSHERRY, MATTHEW**, formerly of McSherry's Library, 138 Lawrence St., Brooklyn, N. Y.

**NORA RADIO SHOP**, formerly of 4707 White Plains Ave., Bronx, N. Y.

**OLDHAM, JOHN**, formerly of Pittsburgh & Clay City, Ky.

**ORLANDO, A. A.**, formerly of 331 Henderson Ave., Port Richmond, N. J.

**PHENIX PAINT & VARNISH CO.**, formerly of 27 second Ave., Laurel Hill, Long Island City. (Mac Reiber)

**PORTER, JAMES, W.**, formerly of Stuyvesant Employment Agency 1814 Atlantic Ave., Brooklyn, N. Y.

**RADIO & AUTOMOTIVE SUPPLY CO.**, formerly of 412 W. 42nd St., N. Y. C.

**ROCH, BESSIE**, formerly of 414 Jamaica Ave., Astoria, L. I.

**SAMS, D. H.**, formerly of Bluefield, W. Va.

**SAMUELS, B.**, formerly of 163 Main St., Yonkers, N. Y.

**SCHECTOR, JACOB, B.**, formerly of

Philadelphia, Pa.

**SCELEO, NAPOLEONE**, formerly of 368 Monroe St., Passaic, N. J.

**SCHWARYZ, NATHAN**, formerly of 575 Prospect Ave., New York City.

**SCHWEISER, WM. & WM. MARTIN**, operating as Cadillac-Hudson Service Co., formerly of 2758 W. 24th St., Chicago, Ill.

**SEEGERT, E. E.**, formerly of Leisy Sryup Co., 302 Leader Bldg. Cleveland, O.

**SEMED, HARRY**, formerly of 577 E. 138th St., New York City.

**SHINDLER, JOS. V.**, formerly of Shindler Auto Sales, 4543 Michigan Ave., Detroit, Mich.

**SOSKIN**, formerly of Longwood Pharmacy, 1011 Longwood Ave., Bronx, N. Y.

**STEINDLER, B.**, formerly of Model Drug Store, 456 Lenox Ave., New York City.

**SIBLEY, E. L.**, formerly of 415 Palo Alto, Corpus Christi, Texas.

**TOCKETT, C. B.**, formerly of Shape Coal Co., Larew, West Virginia.

**TUCKER, W. B.**, formerly of Oltyme

Rox Co., 439 E. Fort St., Detroit, Mich.

**TURNER, ROBERT N.**, formerly of Turner Garage, Smith Mills, Kentucky.

**TYLER, W. E.**, formerly of 3127 Reading Road, Cincinnati, Ohio.

**WEINER, S. B.**, formerly of Auburn, New York.

**WHITE, GEORGE**, formerly of White Fender Works, 324 Minnesota Ave., Kansas City, Kansas.

**WOLF R.**, formerly of 192 Sherman Ave., New York City.

**ZEBEUSKY, MAX.**, formerly of 10421 Jamaica Ave., Brooklyn, N. Y.

Telephone CORTlandt 3787  
**Samuel Newberger & Co.**  
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 38 Park Row, New York, N. Y.  
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 Member, American Institute of Accountants  
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## How Long Does A Retail Business Live?

How long will your customers "live?" Below are "experience tables" compiled by the Bureau of Business Standards of the Shaw publications. They represent a study of thousands of cases.

Groceries .....	7.1 years
Hardware .....	7.9 years
Paints and wall-paper....	6.7 years
Drugs .....	7.8 years
Books and stationery....	6.9 years
Jewelry .....	7.2 years
Dry goods .....	6.9 years
Clothing .....	6.4 years
Boots and shoes .....	7.4 years
Furniture .....	6.8 years

General average for retail concerns ..... 7.1 years

Credit Managers, the average life of your possible customers is only seven years. Many of them are undoubtedly at this dangerous age *right now*. You can't know exactly when they will fail, *nor can you prevent it*. But you can render yourself immune to the consequences — you can protect your firm's resources—with a policy of American Credit Insurance.

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 Detroit, Atlanta, Milwaukee, Etc.

KR544

# Credit Protection Counsels

## Best of Expert Advice for N. A. C. M.



MAXWELL S. MATTUCK

THE Credit Protection Department of the National Association of Credit Men now has the assistance of two famous prosecutors of fraud, Maxwell S. Mattuck and John E. Byrne. Mr. Byrne is in charge of the investigation activities in the Central Division and Mr. Mattuck is in charge of the Credit Protection Department in the Eastern Division. Both of these men are former First Assistant United States Attorneys who have done notable work in their respective areas of operation—in New York and in Chicago. They have had several years' experience in the Attorney

General's Department and won for themselves excellent reputations in the prosecution of a great many notorious commercial frauds engineered in the past five years.

They came to the Association highly recommended by their former chiefs, United States Attorneys of high repute.

Mr. Mattuck, a native of Worcester, Mass., is a graduate of Harvard University and of the Harvard Law School. During the war he enlisted as a private in the regular army, and after being commissioned as a lieutenant was made assistant supply officer in the Coast Artillery Corps at Fort Totten, N. Y. He served twenty months in the army.

During the five years in which Mr. Mattuck was attached to the Federal Attorney's Office, he conducted several prominent cases, among which were: the Newmarket case; Marcus Garvey, the negro "emperor"; Broadway Brevities magazine; Carlo Tresca case; and the income tax case which involved the bootlegger, Charles Steinberg, who failed to pay a tax on his liquor profits.

Under Mr. Mattuck's administration the Credit Protection Department, Eastern Division, with its headquarters at One Park Avenue, New York, has gone a long way in clearing up the New York Market of professional credit crooks. Incidentally there has been obtained the longest sentence in bankruptcy for con-



JOHN ELLIOTT BYRNE

cealment of assets ever imposed in a federal court.

John Elliott Byrne, for many years an indictment expert for the Government, recently resigned from his post as First Assistant United States Attorney, to take charge of the Credit Protection Department of the National Association of Credit Men in the Central Division.

Mr. Byrne is the legal adviser to the Association in its investigation of bankruptcy and credit frauds in twenty states in the Association's Central Division. He is in charge of the preparation of evidence and may when requested by public prosecutors aid them in the prosecution of cases of commercial crime.

"The business man is not getting the full protection of the law and the courts," Mr. Byrne said the other day. "Dockets are crowded with violations of the Prohibition and Narcotic Laws, so that prosecution of infractions of the Bankruptcy and Postal Fraud Law is often neglected. Throughout the country 95 per cent. of the cases being tried by Federal Courts are for violations of the Prohibition and Narcotic Laws, while business men who are concerned in prosecutions under the Bankruptcy and Postal Fraud Laws must take their turn waiting at the bar of justice.

"Meanwhile the toll of Commercial Crime runs into millions, conservatively estimated at \$250,000,000 a year. To guard business against such a huge loss, the credit fraternity is now organized to investigate, accumulate evidence, aid in the preparation of air-tight cases and when called upon to assist in the prosecution of those cases. They are attempting to give American Business the protection in the courts to which it is entitled under the law."

Mr. Byrne, who was a prosecutor for ten years under District Attorneys Wilkerson and Olson, is famed for his prosecution of many conspicuous cases, among them the Fahsy-Murray \$2,000,000 mail robbery at Rondout; the Terry Druggan, Frankie Lake, Sheriff Hoffman, Warden Westbrook debacle; and the Grommes and Ullrich liquor conspiracy case. He also had charge of most of the Court of Appeals work for the District Attorney's office.

Mr. Byrne's new offices are in suite 936, First National Bank Building, where the National Association of Credit Men maintains its Central Division Offices.

*Nationalize Your Credits*

## Credit Insurance

In passing upon any transaction involving the extension of credit, the credit man is guided primarily by the past record of the customer, his current financial rating, and general business tendencies in their relation to the deal.

Without credit insurance, the credit man has no protection against a customer who has paid promptly becoming slack; against a change in the financial rating of the customer before payment falls due; or against an unexpected adverse shift in business conditions.

A National Policy of Credit Insurance offers this protection in full measure, containing the guarantee of the World's Largest Surety Company to prevent, else pay, all bad debt losses in excess of normal.

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## National Surety Company

Wm. B. Joyce, Chairman

E. A. St. John, President

E. M. Treat, Vice-President

115 Broadway, New York

*Agencies in All Principal Cities*



Robert N. Carson

THE CREDIT FRATERNITY of the whole country, and especially that part west of the Rockies, has sustained an irreparable loss in the death, on August 7, 1926, of Robert N. Carson, President of the Carson Glove Company of San Francisco and San Rafael, California. He was in his second year of service as Director of the National Association of Credit Men.

Mr. Carson, a pioneer Californian, established thirty-five years ago a glove manufacturing business on a capital of \$50.00. At the time of his death he was president of the company that bore his name, and also of the Busby Glove Company, Oakland.

He was very active in Masonry, a member of the Occidental Lodge No. 22 of San Francisco, also Knight Commander, California Bodies and Shriner. For twenty-five years the National Association of Credit Men benefited by his continued interest. He was active on the Board of Directors of the San Francisco Association of Credit Men, and also past president of that Association. He was Director and Treasurer of the Board of Trade of San Francisco.

Mr. Carson is survived by his widow, a son, R. N. Carson, Jr., and a grandson, R. N. Carson, 3rd., and by a daughter, Mrs. Thomas O'Connell.

Robert N. Carson was an all-round, fine type of American citizen, whose presence in the business, fraternal and social life of California cannot be filled.

## Forward for the Fund

(Continued from page 19)

in which the Association participated a few years ago.

It has been estimated that the Fund has paid for itself through the recovery of assets that was accomplished in practically every case handled by the Credit Protection Department. One case in the Central Division demonstrates this clearly. Elmer Volkmer perpetrated a bankruptcy fraud, using the mails in the commission of the crime, and caused a loss of \$250,000 to his creditors. After Volkmer was convicted the Association persisted in its investigation until it uncovered assets that were represented by an inheritance. This bequest was attached and the losses were recovered.

Two other extremely important cases were prosecuted in the Central Division of the Association which resulted in the conviction of two persons who were engineering first-order mail frauds and were sentenced each to five years. In the fa-

mous Rosenberg case not only were the principals sentenced, but one of the creditors who attempted to make a secret settlement in violation of the National Bankruptcy Act.

## Jailing of Two Attorneys

The Eastern Division department, operating in the Atlantic States, has a string of cases to its credit in the New York City or Metropolitan District particularly. Outside of the metropolitan area Pete Thomas was convicted for concealment of assets in bankruptcy and two Georgia attorneys who were found guilty of conspiring with him were sentenced to a year each in the federal penitentiary. Veto Marrella of Georgia, who obtained a large quantity of all sorts of merchandise through faked orders, and Norman Creech of South Carolina, who played on his social prestige to obtain goods, were both convicted through the efforts of the Credit Protection Department. In the work of this division indictments and convictions have been obtained in districts

where formerly such success was never achieved.

## Far West Activity

In the Western Division department which has been in operation only about three months, the Association has already figured in a large bankruptcy case in which four men were sentenced to the federal penitentiary at Havre, Montana, and another man and a woman fined in a conspiracy to defraud creditors.

The men and firms backing up this largest undertaking of the Association are all of the highest calibre. These men exert great influence in their communities and they are trusted in the work because of their competency and character.

That this work shall be completely successful, every local association must participate to the full extent of its capacity to do so. No association is too small for the co-operative job and every association will grow in strength and influence by engaging in the crusade for cleaning up commerce.

## Accomplishments of the Credit Protection Fund

June 1, 1925, to July 31, 1926

	N. Y. City	Metropolitan	Eastern Div.	Metropolitan	Central	Western	TOTALS
	District	outside	District	Division	Division		
Convictions	51	23	33	1			108
Cases Accepted	251	192	428	48			919
Cases Pending	101	179	278	24			582
Indictments	144	89	251	14			498
Indictments Pending	70	62	163	7			302
Cases Closed for lack of evidence	80	63	127	11			281
Trials lost	2	6	6	0			14

## Wages and the Labor Problem

(Continued from page 15)

adequately interpreted without introducing the third factor, *marginal productivity*, which is the productivity of the least effective units of labor in each given employment. Inequalities in this last factor, caused by inequalities of native ability and social opportunity, are in turn the cause of inequalities in wage rates in the various groups. Moreover, the productivity of the laborer depends largely on the employer's powers of organization and efficiency of management.

Finally, the ultimate forces governing labor value must be looked for in the value of the commodities produced by labor. Why can the manufacturer pay good wages? Because consumers attach high marginal utility to the goods manufactured. In the economist's terminology, then, we may say that the *marginal productivity of labor depends upon the marginal utility of the products of labor*.

There are many sidelights to the wage problem, the influence on wages of the standard of living, of the volume of the national dividend, of inequality of opportunity, and others which we have not space to discuss here, but which the interested reader may find in any good textbook on Economics.

Next month's article will discuss interest, profits and rent, the remaining subdivisions of the economic income.



# APPROVED ADJUSTMENT BUREAUS

**CALIFORNIA**—Los Angeles—Wholesalers Board of Trade, 800 Board of Trade Bldg., F. C. De Lano, Mgr.

Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the Los Angeles Association of Credit Men.

San Diego—Wholesalers Board of Trade & Credit Association, 673 Spreckles Bldg., Carl O. Retaloff, Mgr.

San Francisco—Board of Trade of San Francisco, 444 Market St., G. W. Brainard, Sec'y.

Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the San Francisco Association of Credit Men.

**DISTRICT OF COLUMBIA**—Washington—Adjustment Bureau of the Washington A. C. M., 727 Colorado Bldg., R. Preston Shealey, Sec'y.

**FLORIDA**—Tampa—Adjustment Bureau of the Tampa A. C. M., 5 Roberts Bldg., S. B. Owen, Mgr.

**GEORGIA**—Atlanta—Adjustment Bureau of the Atlanta A. C. M., 305 Chamber of Commerce Bldg., C. L. Williamson, Mgr.

Augusta—Adjustment Bureau of the Augusta A. C. M., 313 Lamar Bldg., M. M. Hurst, Mgr.

Savannah—Adjustment Bureau of the Savannah A. C. M., Box 1316, L. R. Buckner, Mgr.

**ILLINOIS**—Chicago—Adjustment Bureau of the Chicago A. C. M., Suite 944, 1st National Bank Bldg., 38 So. Dearborn St., L. J. Michael, Acting Mgr.

**INDIANA**—Evansville—Adjustment Bureau of the Evansville A. C. M., 607 Old National Bank Bldg., C. Howard Saberton, Mgr.

Indianapolis—Adjustment Bureau of the Indianapolis A. C. M., 509 Peoples Bank Bldg., Merritt Fields, Mgr.

South Bend—Adjustment Bureau of the South Bend A. C. M., 412 J. M. S. Bldg., G. W. Seybold, Mgr.

**IOWA**—Cedar Rapids—Adjustment Bureau of the Cedar Rapids A. C. M., 902 American Trust Bldg., B. D. Silliman, Mgr.

Davenport—Adjustment Bureau of the Davenport A. C. M., First National Bank Bldg., H. B. Betty, Mgr.

Des Moines—Adjustment Bureau of the Des Moines A. C. M., 812 Valley National Bank Bldg., Don E. Neiman, Mgr.

Sioux City—Adjustment Bureau of the Interstate A. C. M., 601 Trimble Bldg., J. B. Murphy, Mgr., P. A. Lucey, Asst. Mgr.

**KANSAS**—Wichita—Adjustment Bureau of the Wichita Association of Credit Men, 901 First National Bank Bldg., M. E. Garrison, Mgr.

**KENTUCKY**—Lexington—Adjustment Bureau of the Lexington Association of Credit Men, 28 Northern Bank Bldg., John D. Allen, Mgr.

Louisville—Adjustment Bureau of the Louisville Association of Credit Men, 3rd Floor, Kenyon Bldg., S. J. Schneider, Mgr.

**LOUISIANA**—New Orleans—Adjustment Bureau of the New Orleans Association of Credit Men, 608 Louisiana Bldg., T. J. Bartlette, Mgr.

**MARYLAND**—Baltimore—Adjustment Bureau of the Baltimore Association of Credit Men, 301 West Redwood Street, J. L. Morningstar, Sec'y-Mgr.

**MASSACHUSETTS**—Boston—Adjustment Bureau of the Boston Credit Men's Association, 136 Federal St., H. A. Whiting, Mgr.

**MICHIGAN**—Detroit—Adjustment Bureau of the Detroit Association of Credit Men, 2012 First National Bank Bldg., L. E. Dealey, Mgr.

Grand Rapids—Adjustment Bureau of the Grand Rapids Association of Credit Men, 450 Houseman Bldg., H. L. Boggs, Sec'y-Mgr.

**MINNESOTA**—Duluth—Duluth Jobbers Credit Bureau, Inc., 415 Lonsdale Bldg., E. G. Robie, Mgr.

Minneapolis—See St. Paul.

St. Paul—The Northwestern Jobbers Credit Bureau, 241 Endicott Building, W. C. Rodgers, Mgr.

**MISSOURI**—Kansas City—Adjustment Bureau of the Kansas City Association of Credit Men, 315 Hall Bldg., A. E. Adam, Mgr.

St. Louis—Adjustment Bureau of the St. Louis Association of Credit Men, 510 Locust St., Orville Livingston, Mgr.

**MONTANA**—Billings—Adjustment Bureau of the Montana-Wyoming Association of Credit Men, Box 1184, Meredith Davies, Mgr.

Great Falls—Adjustment Bureau of the Northern-Montana Association of Credit Men, 215 Ford Bldg., C. L. Voelker, Mgr.

**NEBRASKA**—Lincoln—See Omaha.

Omaha—Adjustment Bureau of the Omaha Association of Credit Men, 411 Wilkinson Bldg., G. P. Horn, Mgr.

**NEW JERSEY**—Newark—Adjustment Bureau of the North Jersey Association of Credit Men, 760 Broad St., G. A. Boyce, Mgr.

**NEW YORK**—Buffalo—Adjustment Bureau of the Buffalo Association of Credit Men, 704 Erie County Bank Bldg., L. E. Chandler, Mgr.

New York City—Adjustment Bureau of the New York Credit Men's Association, 320 Broadway, M. W. Clark, Mgr.

**NORTH CAROLINA**—Charlotte—Adjustment Bureau of the Charlotte Association of Credit Men, 17 South College St., S. R. Howard, Mgr.

Greensboro—Adjustment Bureau of the Greensboro Association of Credit Men, 804 American Bank Bldg., S. R. Howard, Mgr.

Winston-Salem—Adjustment Bureau of the Winston-Salem Association of Credit Men, Farmers National Bank Bldg., S. R. Howard, Mgr.

**OHIO**—Cincinnati—Commercial & Industrial Engineering Department of the Cincinnati Association of Credit Men, Temple Bar Bldg., J. L. Richey, Mgr.

Cleveland—Adjustment Bureau of the Cleveland Association of Credit Men, 322 Engineers Bldg., Hugh Wells, Mgr.

Columbus—Central Ohio Credit Interchange & Adjustment Bureau, 514 Clinton Bldg., I. E. Fagan, Mgr.

Toledo—Adjustment Bureau of the Toledo Association of Credit Men, National Bldg., H. E. Brittain, Mgr.

Youngstown—Adjustment Bureau of the Youngstown Association of Credit Men, 1105 Mahoning Bank Bldg., H. B. Doyle, Mgr.

**OKLAHOMA**—Oklahoma City—Adjustment Bureau of the Oklahoma City Association of Credit Men, 230 Terminal Arcade Bldg., A. L. Smith, Mgr.

Tulsa—Adjustment Bureau of the Tulsa Association of Credit Men, 512 Central National Bank Bldg., V. P. Wilson, Mgr.

**OREGON**—Portland—Adjustment Bureau of the Portland Association of Credit Men, 671 Pittock Block, G. W. Ingram, Mgr. W. Redman, Executive Secretary.

**PENNSYLVANIA**—Allentown—Lehigh Valley Adjustment Bureau, 403 Hunsicker Bldg., J. H. J. Reinhard, Mgr.

Johnstown—Adjustment Bureau of the Johnstown Association of Credit Men, Box 905, R. H. Coleman, Mgr.

Philadelphia—Adjustment Bureau of the Philadelphia Association of Credit Men, 1502 North American Bldg., D. A. Longacre, Mgr.

Pittsburgh—Adjustment Bureau of the Pittsburgh Association of Credit Men, 1213 Chamber of Commerce Bldg., H. M. Oliver, Mgr.

**RHODE ISLAND**—Providence—Adjustment Bureau of the Rhode Island Association of Credit Men, 313 Gas Company Bldg., C. E. Austin, Jr., Mgr.

**SOUTH CAROLINA**—Greenville—Piedmont Credit & Adjustment Bureau, 210 Capers Bldg., R. B. Wright, Mgr.

**TENNESSEE**—Chattanooga—Adjustment Bureau of the Chattanooga Association of Credit Men, 809 Broad Street, J. H. McCallum, Mgr.

Knoxville—Adjustment Bureau of the Knoxville Association of Credit Men, American National Bank Bldg., W. E. Bibee, Mgr.

Memphis—Adjustment Bureau of the Memphis Association of Credit Men, P. O. Box 211, E. N. Dietler.

**TEXAS**—Dallas—North Texas Credit Interchange & Adjustment Bureau, Suite 725, Santa Fe Bldg., Vernor Hall, Mgr.

El Paso—Adjustment Bureau of the Tri-State Association of Credit Men, 622 Caples Bldg., James Neeson, Mgr.

Houston—Adjustment Bureau of the Houston Association of Credit Men, 315 First National Bank Bldg., Morris B. Meyer, Mgr.

San Antonio—Adjustment Bureau of the San Antonio Association of Credit Men, 313 Alamo National Bank Bldg., Henry A. Hirschberg, Mgr.

**UTAH**—Salt Lake City—Adjustment Bureau of the Inter-Mountain Association of Credit Men, 1411 Walker Bank Bldg., T. O. Sheckell, Mgr.

**VIRGINIA**—Lynchburg—Adjustment Bureau of the Lynchburg Association of Credit Men, 405 Lynch Bldg., S. H. Wood, Mgr., Mrs. M. A. Blair, Asst. Mgr.

Norfolk—Adjustment Bureau of the Norfolk-Tidewater Association of Credit Men (Branch Office of Richmond Credit Interchange & Adjustment Bureau, Inc.), 1210 Bank of Commerce Bldg., J. P. Abernethy, Mgr.

Richmond—Richmond Credit Interchange & Adjustment Bureau, Inc., 518 State & City Bank Bldg., J. P. Abernethy, Mgr.

**WASHINGTON**—Seattle—Adjustment Bureau of Seattle Merchants Association, 314 Colman Bldg., H. S. Gauce, Mgr.

Spokane—Spokane Merchants Association, 718 Realty Bldg., J. D. Meikle, Mgr.

Tacoma—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Sec'y.

**WEST VIRGINIA**—Clarksburg—Central W. Va. Credit & Adjustment Bureau, 410 Union Bank Bldg., U. R. Hoffman, Mgr.

Huntington—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., E. V. Townshend, Mgr.

Bluefield—(Branch Office) Tri-State Credit & Adjustment Bureau, Bailey Bldg., R. W. Newton, Mgr.

Charleston—(Branch Office) Tri-State Credit & Adjustment Bureau, Citizens National Bank Bldg., Lee H. Henkel, Mgr.

**WISCONSIN**—Milwaukee—Adjustment Bureau of the Milwaukee Association of Credit Men, 706 Mayer Bldg., T. H. Nimlos, Mgr.

Green Bay—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, Kellogg National Bank Bldg., C. W. Shekey, Mgr.

Oshkosh—Adjustment Bureau of the Oshkosh Association of Credit Men, 76 Main St., C. D. Breon, Mgr.

FOR COMPLETE INFORMATION ON SERVICES SEE OFFICIAL DIRECTORY OF ADJUSTMENT BUREAUS

## The National Association of Credit Men

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**Progress** for the man or woman in business is marked by milestones in the form of increased responsibilities and better compensation. These evidences of advancement are won partly on the basis of experience, but they depend essentially on a far more important factor,—systematic education in the established principles which underlie sound business practice.

The purpose of the National Institute of Credit is to provide at the lowest possible cost to the student, educational training which will make advancement in business not a possibility but a certainty. In the credit field, the Institute aims specifically to qualify its students, whether beginners, credit men, credit managers or credit executives, to move up to the position which is immediately ahead of them and which represents the next logical step in their advancement.

**The Institute** is a Department of the National Association of Credit Men. Its educational work is carried on through two main channels—class room courses offered under the auspices of local credit associations in a number of cities, and correspondence courses conducted from the National Office at One Park Avenue, New York City.

Prospective students who are within traveling distance of one of the class room courses should, if possible, carry on their study in this way. By so doing they will get the advantage of personal contact with the instructor and opportunity for exchange of opinion and experience with other students.

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**Correspondence Courses** now offered by the National Institute of Credit are two: Credits and Collections, and Basic Economics. The material in each course consists of a text book, printed lecture assignments, and problems to be solved and sent to the Director of the Institute for correction and grading, after which they are returned to the student with grade and comments.

The text in the Credits and Collections course is "Credits and Collections," by David E. Golieb and Richard P. Ettinger, published by Prentice-Hall, Inc. In connection with this course there are five problems.

In the Basic Economics course the text is Henry Clay's "Economics for the General Reader" (the American edition, edited by Professor Eugene E. Agger, of Columbia University).

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Business English .....	60 hours
Accounting .....	60 hours
Law of Contracts, or Corporation Finance and Investment Credit .....	60 hours
<b>Total .....</b>	<b>300 hours</b>

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Principles of Business .....	30 hours
Merchandising .....	30 hours
Money and Banking .....	30 hours
Business Barometrics .....	30 hours
Business Law of Bankruptcy .....	30 hours
Negotiable Instruments .....	30 hours
Foreign Trade and Foreign Credit .....	30 hours
Credit Research .....	30 hours
<b>Total .....</b>	<b>300 hours</b>

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**Organization.** The educational work of the Institute is under the direction of the Director of Education, aided by a Supervisory Committee, composed of a board of three business educators and three experienced credit men. The Committee on Credit Education of the National Association co-operates in establishing and maintaining local chapters.

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